SOURCEBOOK ON INTELLECTUAL PROPERTY LAW

Peter J Groves, LLB, MA, PhD, MITMA, Solicitor

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In memory of my father
A colleague once introduced me to one of his clients as the firm’s intellectual property specialist, telling him that he would explain what intellectual property was as they went downstairs together (one floor). I said I would be very interested to hear the explanation.

Putting this book together has served to remind me what a huge subject intellectual property is. Particularly with the intervention of the European Community, IP law changes and grows almost from day to day, and to learn the subject in the year usually assigned to it in degree courses seems to me a tremendous challenge. I would have liked to have had a whole year just to teach copyright or trademarks.

I have tried in this book to present enough material to enable a student without access to extensive library facilities to get a good grasp of what intellectual property law is all about. I could have put a great deal more into this book, and no doubt I could have left other things out, but I have enjoyed having the luxury of being able to pick some of my favourite cases and other materials which might be a little off the normal beaten track.

Intellectual property is a vast subject, and one in which it is hard to say convincingly that one is an expert. Perhaps in the future the demand will be for individual books on patents, copyright, trademarks and designs, although I hope they will be less extensive than this one. For the time being, however, the practice is to continue to treat these diverse areas of law as a single subject. I have sought to emphasise the common features of these different types of property in the opening chapter.

I hope that it succeeds in making your study of this fascinating subject both interesting and enjoyable.

The author’s footnotes appear without brackets in the text. Square brackets indicate that the footnote was included by the original author. The law is up to date to the end of 1996.

Peter J Groves
May 1997
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Intellectual property is one of those areas of law that doesn’t really exist. It could have been the creation of the marketing department in a big city law firm, except that the expression has been in use since the mid-1970s, when even the big city firms didn’t have marketing departments.

It serves as a useful umbrella for a variety of different rights and related matters, just as the name ‘environmental law’ brings together a number of things that were around already but can conveniently (and perhaps profitably) be lumped together. Intellectual property embraces patents, trademarks, industrial designs, and copyright: along the way it picks up the law of passing off, a precursor (and still a useful alternative) to trademark law, and the law of confidential information which, as we shall see, may or may not be a type of property. (The same may be said of the unregistered trademarks that are the stuff of passing off.)

One of the most important pieces of legislation in this field is the Paris Convention of 1883. However, it calls itself the Paris Convention for the Protection of Industrial Property, so what is meant by that expression? Article 1(2) tells us:

(2) The protection of industrial property has as its object patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin, and the repression of unfair competition.

Conspicuous by its absence is copyright, and arguably it is the addition of copyright to industrial property that creates the subject of our study. There are other intellectual property rights: plant varieties have their own form of protection, and there are rights in performances that are important to performers but (save for one or two important cases, such as Phil Collins v IMRAT Handels GmbH [1993] 3 CMLR 773) not to us. New rights are however being created quite often: the EC has a firm grip on intellectual property law now, and its harmonising efforts are creating new rights for database operators and for publishers.

So there is no single intellectual property code to study: rather, a collection of Acts of Parliament (four important ones), several statutory instruments and a number of EC directives. However, there are two definitions of intellectual property in the statute book, so we might as well start with them.
Definition of intellectual property

First of all, s 72(5) of the Supreme Court Act 1981 (as amended by Copyright, Designs and Patents Act 1988, which, as you will learn, amended a lot of things) tells us:

‘intellectual property’ means any patent, trademark, copyright, design right, registered design, technical or commercial information or other intellectual property.

That qualifies as one of the all-time great circular definitions, although it serves the purpose of exemplifying some types of intellectual property. The other definition is in the Companies Act 1985, as amended by the Copyright, Designs and Patents Act (it couldn’t leave anything alone). Section 396(3A) defines the term to mean:

1. any patent, trademark, service mark, registered design, copyright or design right, or
2. any licence under or in respect of any such right.

To define a licence, which is merely a permit to do something, as a type of property, is of course nonsense, though in the context of this provision of the Act (which deals with registration of company charges) it makes some sense.

The importance of intellectual property

Intellectual property is a matter of great importance to many businesses, and to individuals too. Its significance to the national economy was recognised in the early 1980s, at a time when copyright and designs law in particular were under review. As part of this review process, the Chief Scientific Adviser to the Cabinet, Dr Robin Nicholson, was commissioned to produce a report on the treatment of intellectual property and the encouragement of its exploitation. The result was a Green Paper, Intellectual Property Rights and Innovation (Cmnd 9117), published with an introduction by the Prime Minister, which ranged over the whole field, making many recommendations for reform almost none of which were acted on. Publication of the Nicholson Report, as it was known, marked perhaps the high point of government and industrial interest in intellectual property: from that date (December 1983) the path has been mostly downhill – witness the judgments of the House of Lords and the Privy Council mentioned later in this chapter.

However, the opening remarks in the Green Paper are worth studying as a statement of what the intellectual property system is all about:
The context of intellectual property rights

1.6 The interests of all parties, and therefore of the nation as a whole, would appear to be served by encouraging the bringing of new products and manufacturing processes to the market. However interests can diverge over how this should happen and in the legal rights and monopolies involved. For example the inventor, in so far as he is not the producer:

- wants the highest price possible for his invention and the credit for it, even if he may not be aware of its ultimate commercial potential.

The producer:

- wants ready access to new inventions which he can incorporate in his products in order to gain market advantage;
- wants to hold on to this advantage as long as possible against competitors capable of using the same invention;
- may want to delay exploitation of an invention until a moment of his own choosing (or even indefinitely).

The consumer on the other hand:

- wants a continuing flow of improved products at the lowest possible prices;
- to that end wants a wide dissemination of the state of the art on existing products and the potential for future ones so that continued product development is stimulated and consumer choice guaranteed;
- may not mind if the products derive from copying others' work.

1.7 The following are the main ways in which all developed countries create a legal regime or take other action in an attempt to strike a balance between the interests described above:

(1) A product is brought to the market only because the producer has been able to keep the know-how behind it secret and thus hidden from potential competitors and copiers. Employees can be bound by the law of confidence.

(2) The parties involved establish their respective rights and obligations by a formal contract. Examples are know-how and confidence arrangements which place obligations on customers, and licensing arrangements, all enforceable by law, by which an innovator allows others to manufacture a product for a fee.

(3) The public authorities may intervene:

(a) by the granting of monopolistic legal protection to the innovative idea. The protection is usually limited for a period of time, protected from abuse and subject to disclosure so that incentives are given to innovators but consumer protection from long-term monopoly profits is also established. This is the essence of intellectual property rights;

(b) by a subsidy to the producers of innovation so that the chances of the new product’s wide public availability are enhanced.
The case for intellectual property rights

1.8 A system of intellectual property rights should encourage new products and processes to reach the market and bolster the trade in ideas. That a system based on the principles in 1.7.3.a should meet these objectives, sounds plausible in theory. It should provide adequate benefits and production for all the parties as follows:

(1) Where R&D costs are high, the inventor and producer (whose combined role we call that of the innovator) would not make the original investment if an imitator could immediately scoop the market with cheap copies.

(2) Even if R&D costs are not particularly high, innovative small businesses, which do not have the legal resources, manufacturing power and dominant marketing capability of the large firm, need protection. They would be hit particularly hard if their only asset, product innovation, could immediately be copied and sold at a punitively low price, cross-subsidised from other products.

(3) The consumer’s interest is served by disclosure. Without intellectual property rights there would be both a clear disincentive to invest in the more expensive forms of innovative research and more reliance on commercial secrecy. The latter would contribute towards the duplication of research effort. By requiring disclosure, the intellectual property system facilitates the exchange of information and encourages further invention.

(4) Wider use of new ideas is encouraged by legally protected intellectual property which allows trade to develop on the basis of licences. Even large firms may balk at the difficulty of exploiting fully a new market: Bell Labs did not attempt to monopolise the applications of the transistor. For small firms or private individuals, without the will or resources to produce and market their innovation themselves, the return on investment will often be dependent on licensing the intellectual property for use. Trade is likely to be encouraged most if the licence provides for royalty income (based on the incidence of use, on the profits, on sales, or some combination) rather than a once-for-all fee that has to be settled before the market is established.

(5) The consumer and competitor are shielded from the abuse of monopoly power both because monopoly rights are circumscribed and because intellectual property is not exempt from the application of the Restrictive Trade Practices Act or the Competition Act and the investigation by the MMC.

(6) For a nation which produces proportionately more good ideas than most countries but has a relatively small home market and has been less successful in the application of technology, the public good lies in trading products and ideas. It is therefore in the overall national interest that a strong worldwide system of protecting intellectual property should exist.
1.9 It is possible to imagine an alternative one-sided legal scheme which gave much more protection to the innovator. However, establishing a legal regime which simply allocated ownership and gave unrestricted monopolies to intellectual property might well in practice stifle innovation by overprotecting it, and would certainly be contrary to the consumer’s and potential competitor’s interests. In theory at least a balanced system of the kind described should avoid these pitfalls and should provide a good basis for encouraging a flow of new products. But the acid test as always must be how it works in practice.

The system in practice

1.10 The available protection is widely taken up. The UK Patent and Trademark Office continues to receive a large number of applications each year: in 1981 some 39,000 for patents, over 6,000 for registered designs, nearly 21,000 for trademarks. These cover a broad technical front. Only patents show a decreasing trend over times which results largely from the rapid expansion of applications to the European Patent Office since it was set up in 1978.

1.11 The use made of patents once granted is difficult to measure. But a questionnaire to a number of UK firms carried out for the 1970 Banks Report indicated that some 30% of inventions for which the patent was still in force were in direct commercial use. A US 2% sample survey of all patents issued in 1938, 1948 and 1952 showed that 50–60% of patents were utilised at some time during their life.

1.12 It is even more difficult to assess how much intellectual property rights contribute to the well-being and technical progress of the UK. They are only one way – and not an easily identifiable way – in which success in the market place can be achieved. Among many others are: the size and quality of R&D investment; the lead time of product development; marketing skills; and the reliability of products. It is therefore important not to overstate the role of legal rights on their own, they are part of the whole, complex, innovation process.

1.13 The use of intellectual property rights varies greatly between industries, as the following examples show:

Pharmaceuticals – expensive R&D, long development times, long product life, worldwide markets. Patents and trademarks are held to be essential for investment.

Consumer electronics – fast moving and fast expanding, manufacturing capability and marketing dominate, patents less relevant. Costs of patent protection comparable to costs of invention. Instead of patents, manufacturers have relied for such protection as they have felt necessary on trademark registration, on contractual confidence agreements and in keeping the invention secret.

Aircraft jet engines – very difficult technology needing advanced and specialised manufacturing ability and design staff; few purchasers; capability and proven reliability more important than intellectual property rights.
Proprietary rights

The rights given by intellectual property statutes are a type of property. They are personal property, choses in action (with the exception of patents), and therefore intangible. They may be among the most valuable assets owned by many businesses, and where an individual such as an author, composer, artist, inventor, designer or computer programmer owns intellectual property they will constitute a large part of that person’s property.

The rights conferred by statute are clearly defined. Underlying each type of intellectual property is a bargain between society (in the form of the State) and the owner of the rights. The owner of the rights gets a monopoly (just as the owner of land, or a motor car, gets a monopoly): it might be an absolute monopoly, enabling the owner to stop anyone else doing something (a patent, for example, gives the owner a complete monopoly over the invention he or she has made), or it may be a monopoly only over that particular expression of something that the person can call his or her own (so independent creation is a defence to an action for infringement of copyright or an unregistered design). But outside of the policy goals that the laws are designed to realise, there will be no protection.

Consider the American Supreme Court case of International News Service v The Associated Press 248 US 215 (there are several American cases referred to in this book). The plaintiffs tried to argue that they had property rights in news that they had collected. The problem was that the time difference between the east and the west coast was sufficient to enable their competitors to buy the east coast papers and telegraph the news through to the west coast in time for the same day’s papers: the rivals could get all the same news without having to gather it.

Mr Justice Pitney delivered the opinion of the court:

... Complainant asserts that defendant’s admitted course of conduct in this regard both violates complainant’s property right in the news and constitutes unfair competition in business ... As present in argument, these questions are: 1. Whether there is any property in news; 2. Whether if there be property in news collected for the purpose of being published, it survives the instant of its publication in the first newspaper to which it is communicated by the newsgatherer; and 3. Whether defendant’s admitted course of conduct in appropriating for commercial use matter taken from bulletins or early editions of Associated Press publications constitutes unfair competition in trade.

... In considering the general question of property in news matter, it is necessary to recognise its dual character, distinguishing between the substance of the information and the particular form or collocation of words in which the writer has communicated it.

... But the news element – the information respecting current events contained in the literary production – is not the creation of the writer, but is a report of matters that ordinarily are publici juris; it is the history of the day. It is not
supposed that the framers of the Constitution, when they empowered Congress ‘to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries’ (Const, Art 1, § 8, para 8), intended to confer upon one who might happen to be the first to report a historic event the exclusive right for any period to spread the knowledge of it.

We need spend no time, however, upon the general question of property in news matter at common law, or the application of the Copyright Act, since it seems to us the question must turn on unfair competition. And, in our opinion, this does not depend upon any general right of property analogous to the common law right of the proprietor of an unpublished work to prevent its publication without his consent, nor is it foreclosed by showing that the benefits of the copyright act have been waived. We are dealing here not with restrictions on publication but with the very facilities and processes of publication. The peculiar value of news is in the spreading of it while it is fresh; and it is evident that a valuable property interest in the news, as news, cannot be maintained by keeping it secret. Besides, except for matters improperly disclosed, or published in breach of trust or confidence, or in violation of law, none of which is involved in this branch of the case, the news of current events may be regarded as common property.

... And although we may and do assume that neither party has any remaining property interest as against the public in uncopyrighted news matter after the moment of its first publication, it by no means follows that there is no remaining property interest in it as between themselves. For, to both of them alike, news matter, however little susceptible of ownership or dominion in the absolute sense, is stock in trade, to be gathered at the cost of enterprise, organisation, skill, labour, and money, at to be distributed and sold to those who will pay money for it, as for any other merchandise. Regarding the news, therefore, as but the material out of which both parties are seeking to make profits at the same time and in the same field, we hardly can fail to recognise that for this purpose, and as between them, it must be regarded as quasi-property, irrespective of the rights of either as against the public.

... The peculiar features of the case arise from the fact that, while novelty and freshness form so important an element in the success of the business, the very processes of distribution and publication necessarily occupy a good deal of time. Complainant’s service, as well as defendant’s, is a daily service to daily newspapers; most of the foreign news reaches this country at the Atlantic seaboard, principally at the City of New York, and because of this, and of time differentials due to the earth’s rotation; the distribution of news matter throughout the country is principally from east to west; and since in speed the telegraph and telephone easily outstrip the rotation of the earth, it is a simple matter for defendant to take complainant’s news from bulletins or early editions of complainant’s members in the eastern cities and at the mere cost of telegraphic transmission cause it to be published in western papers issued at least as early as those served by complainant. Besides this, and irrespective of time differentials, irregularities in telegraphic transmission on different lines, and the normal consumption of time in printing and distributing the newspaper, result in permitting pirated news to be placed in the hands of
defendant’s readers sometimes simultaneously with the service of competing
Associated Press papers, occasionally even earlier.

Defendant insists that when, with the sanction and approval of complainant
and as the result of the use of its news for the very purpose for which it is
distributed, a portion of complainant’s members communicate it to the general
public by posting it upon bulletin boards so that all may read or by issuing it to
newspapers and distributing it indiscriminately complainant no longer has the
right to control the use to be made of it, that when it thus reaches the light of
day it becomes the common possession of all to whom it is accessible; and that
any purchaser of a newspaper has the right to communicate the intelligence
which it contains to anybody and for any purpose, even for the purpose of
selling it for profit to newspapers published for profit in competition with
complainant’s members.

The fault in the reasoning lies in applying as a test the right of the complainant
as against the public, instead of considering the rights of complainant and
defendant, competitors in business, as between themselves.

[Mr Justice Brandeis dissenting:]

News is a report of recent occurrences. The business of the news agency is to
gather systematically knowledge of such occurrences of interest and to
distribute reports thereof. The Associated Press contended that knowledge so
acquired is property, because it costs money and labour to produce and because
it has value for which those who have it not are ready to pay; that it remains
property and is entitled to protection as long as it has commercial value as
news; and that to protect it effectively the defendant must be enjoined from
making, or causing to be made, any gainful use of it while it retains such value.

An essential element of individual property is the legal right to exclude others
from enjoying it. If the property is private, the right to exclusion may be
absolute; if the property is affected with a public interest, the right of exclusion
is qualified. But the fact that a product of the mind has cost its producer money
and labour, and has a value for which others are willing to pay, is not sufficient
to ensure to it this legal attribute of property. The general rule of law is, that the
noblest of human productions – knowledge, truths ascertained, conceptions,
and ideas – become, after voluntary communication to others, free as the air to
common use. Upon these incorporeal productions the attribute of property is
continued after such communications only in certain classes of cases where
public policy has seemed to demand it. These exceptions are confined to
productions which, in some degree, involve creation, invention, or discovery.

But by no means all such are endowed with this attribute of property.

Another example of an attempt to make intellectual property law do
something it wasn’t keen on doing is Victoria Park Racing and Recreation
Grounds Co Ltd v Taylor and others (1937) 58 CLR 479, in the High Court of
Australia. The plaintiff clearly had an understandable complaint, but his
attempt to express it as a violation of a property right fell on stony ground.

Latham CJ: This is an appeal from a judgment for the defendants given by
Nicholas J in an action by the Victoria Park Racing and Recreation Grounds Co
Ltd against Taylor and others.
The plaintiff company carries on the business of racing upon a racecourse known as Victoria Park. The defendant Taylor is the owner of land near the racecourse. He has placed an elevated platform on his land from which it is possible to see what takes place on the racecourse and to read the information which appears on notice boards on the course as to the starters, scratchings, etc, and the winners of the races. The defendant Angles stands on the platform and through a telephone comments upon and describes the races in a particularly vivid manner and announces the names of the winning horses. The defendant the Commonwealth Broadcasting Corporation holds a broadcasting licence under the regulations made under the Wireless Telegraphy Act 1905–36 and carries on the business of broadcasting from station UW. This station broadcasts the commentaries and descriptions given by Angles. The plaintiff wants to have the broadcasting stopped because it prevents people from going to the races and paying for admission. The evidence shows that some people prefer hearing about the races as seen by Angles to seeing the races for themselves. The plaintiff contends that the damage which it thus suffers gives, in all the circumstances, a cause of action.

... It has been argued that by the expenditure of money the plaintiff has created a spectacle and that it therefore has what is described as a quasi-property in the spectacle which the law will protect. The vagueness of this proposition is apparent upon its face. What it really means is that there is some principle (apart from contract or confidential relationship) which prevents people in some circumstances from opening their eyes and seeing something and then describing what they see. The court has not been referred to any authority in English law which supports the general contention that if a person chooses to organise an entertainment or to do anything else which other persons are able to see he has a right to obtain from a court an order that they shall not describe to anybody what they see. If the claim depends upon interference with a proprietary right it is difficult to see how it can be material to consider whether the interference is large or small – whether the description is communicated to many persons by broadcasting or by a newspaper report, or only to a few persons in conversation or correspondence. Further, as I have already said, the mere fact that damage results to a plaintiff from such a description cannot be relied upon as a cause of action.

I find difficulty in attaching any precise meaning to the phrase ‘property in a spectacle.’ A ‘spectacle’ cannot be ‘owned’ in any ordinary sense of that word. Even if there were any legal principle which prevented one person from gaining an advantage for himself or causing damage to another by describing a spectacle produced by that other person, the rights of the latter person could be described as property only in a metaphorical sense. Any appropriateness in the metaphor would depend upon the existence of the legal principle. The principle cannot itself be based upon such a metaphor.

Even if, on the other hand, a spectacle could be said to exist as a subject-matter of property, it would still be necessary, in order to provide the plaintiff in this case with a remedy, to show that the description of such property is wrongful or that such description is wrongful when it is widely disseminated. No authority has been cited to support such a proposition.
The plaintiff also argued, though it did not plead, that the defendants were guilty of some infringement of copyright. This argument lacked precision in every respect. If an attempt had been made to plead this claim I think that the difficulties in the way of establishing it would at once have become apparent. It has not been proved that the plaintiff has copyright in anything. There may possibly be copyright in a race book, but it is not shown that the plaintiff has such copyright in this case, or, if the plaintiff has copyright, that the defendant has infringed it. Even if the defendant Angles used the race book for the purpose of obtaining information, he did no more that state facts which were recorded in the race book. The contention that the names or numbers of the starting horses and of the scratched horses and the numbers of the winners etc, placed upon boards in the racecourse, constituted original literary works so as to be possible subjects of copyright does not appear to me to require any detailed answer. A race result is ordinarily announced by reference to the numbers of horses in some such form as the following:

3
12
4

Copyright, where it exists, exists for 50 years from the death of the author (Copyright Act 1912–35, sched, s 3). Much more argument that has been produced in this case would be required to convince me that because the plaintiff caused those numbers to be exhibited for a few minutes upon a notice board, everybody in Australia was thereafter for a term of 50 years from somebody’s death precluded from reproducing them in any material form (Copyright Act, sched, ss 1 (2) and 2(1)). The law of copyright does not operate to give any person an exclusive right to state or to describe particular facts. A person cannot by first announcing that a man fell off a bus or that a particular horse won a race prevent other people from stating those facts. The Copyright Act 1912–35 gives protection only to ‘original literary dramatic musical and artistic work’ (see sched, s 1). What the law of copyright protects is some originality in the expression of thought (Halsbury’s Laws of England, 2nd edn, Vol 7, p 521). The plaintiff has no rights by virtue of the statute, and common law rights to copyright are abrogated by s 31 of the Schedule to the Act. In my opinion, the claim based upon copyright fails.

I agree with the judgment of Nicholas J and with the reasons which he gave for it. In my opinion the appeal should be dismissed.

Intellectual property rights are granted for a particular purpose, and they differ from mere permissions or registrations. This is a problem now being encountered with Internet domain names: commercial concerns – let’s use McDonalds as an example – consider that it is like using a trademark to have a web site with the address mcdonalds.com. An alternative view is that it’s just an address, like the number of your house. However, the ‘address’ theory falls a little flat when you consider the embarrassment of McDonalds when one Joshua Quittner published in Wired magazine an explanation of how he had registered his domain name as mcdonalds.com. Likewise, MTV had to take
legal action against one of their former video jocks who, bearing a grudge against the broadcaster, had registered mtv.com and was using it to communicate with others whose feelings about MTV were less than positive.

Now it is clearly established that domain names are not pieces of property but merely convenient tags registered by a central authority that has the right to take them away again if certain things happen (including 90 days’ non-use, which contrasts with the five years it takes for a trademark to become vulnerable). Another type of registration was the subject of an attempt to elevate it to the level of intangible property recently (Naylor v Hutson and others [1994] FSR 63, Chancery division, Newcastle District Registry).

Maddocks J: The subject-matter of this case is unusual. It is the right to a registration mark for a motor car. The plaintiff is the owner of a replica MG sports car called a Naylor which was manufactured as a prototype in 1984 by Naylor Cars Limited, later Naylor Cars plc. I shall refer to it as the ‘red Naylor’. In that year it received the registration mark or number 1700 MG. In June of 1986 the defendants were in possession of the car, and the second defendant, Mr Mark Hutson, caused the registration mark to be transferred to another car. The defendants are all connected, and the present resting place for the mark 1700 MG is a car held by the fifth defendant, the Hutson Motor Company Limited.

... I come to the issues. The first, and really it is at the heart of the case, is whether the sale and lease back carried with it the right to the registered mark of the red Naylor at the time, 1700 MG. It is really a short point. Let me first take the ordinary case of the sale of a car which is registered, and thus bears a registration mark. Immediately on the sale, the purchaser becomes the owner and thus entitled to possession, whereby he becomes the keeper. It cannot, I think, be doubted that he is entitled to require the seller to sign a transfer of the registration document so that he, as purchaser, becomes the registered keeper, and as such the owner of the vehicle with its existing registration mark. If the seller wishes to keep the mark he will need to transfer it before the sale and thereby obtain a new mark for the car, or he could perhaps stipulate in the sale contract that he was to have the right to transfer the mark. In the absence of any such expressed stipulation it seems to me that the right to the mark must necessarily pass on the sale. If that is so for an ordinary mark, it must be all the more so for what is called a cherished mark or number – one that has some particular value.

Another attempt to bring novel subject-matter within the scope of intellectual property law was the Opportunity Knocks case, Green v Broadcasting Corp of New Zealand [1989] RPC 700. The Privy Council rejected Hughie Green’s claim to copyright protection, starting a debate that is still going on about the protection of programme formats (a debate which, incidentally, had taken place in the US years earlier). Lord Bridge gave this judgment:

The copyright alleged to have been infringed was claimed to subsist in the ‘scripts and dramatic format’ of ‘Opportunity Knocks’ as broadcast in England.
The appellant’s primary difficulty arises from the circumstances that no script was ever produced in evidence. Ongley J concluded that:

There was really no evidence that any part of the show was reduced to a written text which could properly be called a script ...

He added later:

No writing has been produced in evidence in this action in which, in my view, copyright could subsist.

The Court of Appeal differed from the trial judge to the extent that they accepted that the evidence established the existence of scripts. But the evidence as to the nature of the scripts and what their text contained was exiguous in the extreme. It is to be found in two short passages from the evidence given by the appellant himself. He said in the course of examination-in-chief:

In the year 1956, I wrote the scripts of Opportunity Knocks shows, such as they were, because we would have what we would call the introductions, our stock phrases like ‘for so-and-so, opportunity knocks’, phrases such as ‘this is your show, folks, and I do mean you’. The other part of the writing dealt with interviews with the people and one could not really call it writing because you were really only finding out what the artists wanted to talk about.

He said in cross-examination:

The script of Opportunity Knocks has continuously been the same for the catch phrases, the interviews each week with the artists has differed, the script for the past 17 years and long before 1975 contained particularly the end of the show beginning with the words ‘make your mind up time’ using the clapometer and bringing back the five people.

On the basis of this evidence Somers J concluded that:

... the scripts as they are inferred to be from the description given in evidence did not themselves do more than express a general idea or concept for a talent quest and hence were not the subject of copyright.

In the absence of precise evidence as to what the scripts contained, their Lordships are quite unable to dissent from this view.

The alternative formulation of the appellant’s claim relies upon the ‘dramatic format’ of Opportunity Knocks, by which their Lordships understand is meant those characteristic features of the show which were repeated in each performance. These features were, in addition to the title, the use of the catch phrases ‘for [name of competitor] opportunity knocks’, ‘this is your show folks, and I do mean you’, and ‘make up your mind time’, the use of a device called a ‘clapometer’ to measure audience reaction to competitors’ performances and the use of sponsors to introduce competitors. It was this formulation which found favour with Gallen J.

It is stretching the original use of the word ‘format’ a long way to use it metaphorically to describe the features of a television series such as a talent, quiz or game show which is presented in a particular way, with repeated but unconnected use of set phrases and with the aid of particular accessories. Alternative terms suggested in the course of argument were ‘structure’ or
‘package’. This difficulty in finding an appropriate term to describe the nature of the ‘work’ in which the copyright subsists reflects the difficulty of the concept that a number of allegedly distinctive features of a television series can be isolated from the changing material presented in each separate performance (the acts of the performers in the talent show, the questions and answers in the quiz show, etc) and identified as an ‘original dramatic work’. No case was cited to their Lordships in which copyright of the kind claimed had been established.

Green is one of a series of cases in the late 1980s in which the Law Lords (the Privy Council being the same judges) placed strict limits on the extent of intellectual property protection. This is not a theme that can be explored properly in a work like this, but bear it in mind when you come to read BL v Armstrong [1986] AC 477, Re Coca-Cola Co’s Application [1986] RPC 421, Interlego v Tyco [1988] RPC 343, and CBS Songs v Amstrad, several of which are included in this book.

Non-proprietary rights

As well as the proprietary rights protected by statute, there are non-proprietary rights that are related to intellectual property and need to be mentioned in the same breath. Confidential information and the law of passing off have already been mentioned. Some of the cases on these approach them as a type of property, but it is by no means certain that this analysis is correct.

Passing off – as we shall see – is essentially concerned with the protection of business goodwill. Indeed, trademark law as a whole is concerned with this, but whereas passing off is directed to preventing deception, trademark law creates a property right that can be protected (like other property rights) by an action for infringement. The inclusion of licences as a type of intellectual property in the Companies Act definition imports another sort of matter into the field. To the users of intellectual property who have the benefit of the licences they are valuable intangible assets, but as a type of property they are hard to comprehend.
COMMON FEATURES
OF INTELLECTUAL PROPERTY RIGHTS

Territoriality

Intellectual property rights, being creatures of statute, are confined to the territory where they are created. But they have importance that transcends national boundaries, and the constraints imposed by the application of national laws is somewhat artificial. Music has always been performed internationally: indeed, it is a universal language. An English composer whose rights counted for nothing across the Channel would find it hard to make much of a living. Authors’ works can be translated, and great literature has always travelled. Sound recordings and computer programs are universal, and being readily copied (with the advent of digital technology, perfectly copied) need protection to offer the producers and publishers a return on their investment. An invention can be exploited in many different countries: a brand name that attracts customers in one place may do so in others too (though there are many examples of marks that do not travel, such as the French mineral water brand ‘PSCHITT’).

International conventions recognise this, and provide for protection of intellectual property across frontiers. Their provisions are reflected in national legislation: s 159 of the Copyright, Designs and Patents Act 1988 deals with the protection that the UK must give to foreign copyright owners.

(1) Her Majesty may by Order in Council make provision for applying in relation to a country to which this part does not extend any of the provisions of this part specified in the order, so as to secure that those provisions:
   (a) apply in relation to persons who are citizens or subjects of that country or are domiciled or resident there, as they apply to persons who are British citizens or are domiciled or resident in the UK; or
   (b) apply in relation to bodies incorporated under the law of that country as they apply in relation to bodies incorporated under the law of a part of the UK; or
   (c) apply in relation to works first published in that country as they apply in relation to works first published in the UK; or
   (d) apply in relation to broadcasts made from or cable programmes sent from that country as they apply in relation to broadcasts made from or cable programmes sent from the UK.

(2) An order may make provision for all or any of the matters mentioned in subsection (1) and may:
   (a) apply any provisions of this part subject to such exceptions and modifications as are specified in the order; and
   (b) direct that any provisions of this part apply either generally or in
relation to such classes of works, or other classes of case, as are specified in the order.

(3) Except in the case of a convention country or another Member State of the European Economic Community, Her Majesty shall not make an Order in Council under this section in relation to a country unless satisfied that provision has been or will be made under the law of that country, in respect of the class of works to which the order relates, giving adequate protection to the owners of copyright under this part.

(4) In subsection (3) ‘convention country’ means a country which is a party to a convention relating to copyright to which the UK is also a party.

The situation in the UK is further complicated by the need to apply the law to dependencies and colonies. Section 255 of the Copyright, Designs and Patents Act 1988, which deals with unregistered design right, is entitled ‘Countries to which this part extends’ and it provides:

(1) This part extends to England and Wales, Scotland and Northern Ireland.

(2) Her Majesty may by Order in Council direct that this part shall extend, subject to such exceptions and modifications as may be specified in the order, to:
   (a) any of the Channel Islands;
   (b) the Isle of Man; or
   (c) any colony.

(3) That power includes power to extend, subject to such exceptions and modifications as may be specified in the order, any Order in Council made under s 221 (further provision as to qualification for design right protection) or s 256 (countries enjoying reciprocal protection).

(4) The legislature of a country to which this part has been extended may modify or add to the provisions of this part, in their operation as part of the law of that country, as the legislature may consider necessary to adapt the provisions to the circumstances of that country; but not so as to deny design right protection in a case where it would otherwise exist.

(5) Where a country to which this part extends ceases to be a colony of the UK, it shall continue to be treated as such a country for the purposes of this part until:
   (a) an Order in Council is made under s 256 designating it as a country enjoying reciprocal protection; or
   (b) an Order in Council is made declaring that it shall cease to be so treated by reason of the fact that the provisions of this part as part of the law of that country have been amended or repealed.

(6) A statutory instrument containing an Order in Council under subsection (5)(b) shall be subject to annulment in pursuance of a resolution of either House of Parliament.

The 1988 Act is based on the requirements of the Berne Convention, which prescribes what is known as ‘national treatment’ – the principle that people
from one Convention country should be treated in other convention countries just the same as the nationals of that country. In other words, a French author should enjoy the same copyright protection in the UK as a British author.

For industrial property, the Paris Convention imposes the same requirement of national treatment:

**Article 2**
(1) Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.

(2) However, no requirement as to domicile or establishment in the country where protection is claimed may be imposed upon nationals of countries of the Union for the enjoyment of any industrial property rights.

(3) The provision of the laws of each of the countries of the Union relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.

**Anti-competitiveness**

In the nature of intellectual property, it is restrictive of competition. Granting monopolies inevitably restricts what others can do. However, the law recognises that in certain circumstances monopolies can be beneficial, provided they are strictly defined and are not permitted to stray outside their boundaries.

Intellectual property and competition laws are therefore in a permanent state of tension. The series of judgments mentioned above mark an attempt by the judiciary to limit the extension of intellectual property rights. Competition laws, especially those of the European Community, need to be considered, because they have a significant impact on the exercise of intellectual property rights: this is a subject to which we shall return later.

**Tradeability**

(a) *Intellectual property as property*

Intellectual property is, generally, a form of property just as land is, or motor cars or anything else. The big difference is that it is intangible: there is nothing for the owner to get hold of. But that notwithstanding, the fact that intellectual
property is form of property means that what you have learnt about property law will be of some use in this area too.

Property can be divided into several different categories. There is tangible property and there is intangible: there is real property (land) and there is personal property: and there are choses in possession and choses in action.

Intellectual property is a species of chose in action. It is recoverable by the owner by action. It can be owned but not possessed. However, it can be stolen: the definition of property in the Theft Act 1968 is broad enough to embrace intellectual property, though the sort of act that amounts to an infringement lacks the actus reus of theft.

In fact, patents are not strictly speaking choses in action. Section 30(1) and Schedule 2 of the Patents Act 1977 reverse the common law position (see Re Heath's Patent (1912) 56 SolJo 538 and Edwards and Co v Picard [1909] 2 KB 903, 905 (CA), per Vaughan Williams LJ and, on future patent rights, see Printing and Numerical Registering Co v Sampson (1875) LR 19 Eq 462) and declare that patents are not choses in action. Sir Raymond Evershed, the then Master of the Rolls, stated in 1952: ‘An English patent is a species of English property of the nature of a chose in action and peculiar in character’, British Nylon Spinners Ltd v ICI Ltd [1953] Ch 19, 26 [1952] 2 All ER 780, 783, CA, cited in the substantive hearing of the same case [1955] Ch 37, 51, [1954] 3 All ER 88, 91. See also Beecham Group plc v Gist-Brocades NV [1986] 1 WLR 51, 59, HL, per Lord Diplock.

Copyright has also been expressly stated by the courts to be a chose in action. See Chaplin v Leslie Frewin (Publishers) Ltd [1966] Ch 71, [1965] 3 All ER 764, CA; Patterson Zochonis and Co Ltd v Mefarkin Packaging Ltd [1986] 3 All ER 522 (CA); Cambell Connolly & Co Ltd v Noble [1963] 1 All ER 237, [1963] 1 WLR 252. And as a leading text of its era said:

For want of a better classification, these subjects of personal property are now usually spoken of as choses in action. They are, in fact, personal property of an incorporeal nature, and a reference to the history of their classification amongst choses in action may help to explain some of their peculiarities (Williams, Personal Property, 1st edn, 1848).

Readers interested in exploring this subject further will find a discussion of intellectual property rights (though they are not so called) as choses in action in 9 LQR 311, 314; 10 LQR 314; and 11 LQR 71, 238.

A right of action in tort, such that an intellectual property right owner whose rights have been infringed would have, is a thing in action. It is not however normally assignable. See Zim Properties Ltd v Proctor (Inspector of Taxes) [1985] STC 90.
(b) Assignments

Common law generally did not permit assignments of choses in action, but equity did. So an equitable chose in action could be assigned and the assignee could sue on it: in the case of a legal chose in action only the assignor could sue, but equity would oblige him to lend his name to the action. The Supreme Court of Judicature Act 1873 provided generally for the assignment of choses in action at law.

The transfer by legal assignment of a chose in action is dealt with under s 136(1) of the Law of Property Act (which replaced the 1873 Act). It may also be accomplished by equitable assignment. Assignments at law were also possible under three exceptions to the common law rule:

– special statutory enactments;
– delivery of certain negotiable documents;
– Crown privilege.

An absolute assignment of an equitable chose in action in writing is liable to stamp duty as a conveyancer.

The Law of Property Act sets out several requirements for assignments:

1. They must be in writing under the hand of the assignor;
2. They must be absolute, not purporting to be by way of charge only;
3. Express notice must be given to the person from whom the assignor would have been able to claim.

This applies to any right which the common law has looked on as not assignable because it was a chose in action, but which a court of equity dealt with as assignable. See Torkington v Mcgee (1902) 2 KB 427, 430–31, reversed on appeal on a different point, and Re Pain, Gustavson v Haviland [1919] 1 Ch 38, 44, per Younger J. The right to sue for damages for tort is not included.

The assignment must not purport to be by way of charge only. A transfer with a proviso for redemption and reconveyance (ie mortgage in ordinary form) is an absolute assignment (Tancred v Delagoa Bay and East African Rly Co (1889) 23 QBD 239, DC). A document by way of charge only is a document which only gives a right to payment out of a particular fund or property and does not transfer the property or fund absolutely. A transfer by deed is acceptable if the requirements are met. An assignment under the Act passes all legal and other remedies.

(c) Assignments in equity

An express transfer, and also a declaration of trust, or a direction by a beneficiary to trustees to hold on trust for another will constitute equitable assignments. A mere charge may also be an equitable assignment.
Future choses in action cannot be assigned, even in equity. A contract to assign them when they come into existence is however valid, and a purported assignment of future chose will be given effect as such a contract provided that consideration is given.

Incidental rights of action may be transferred with property rights: *Trendtex Trading Corp v Credit Suisse* [1982] AC 679, [1981] 3 All ER 520, HL. A genuine commercial interest in taking an assignment will suffice. The essence of a trademark is that it is some distinctive thing which points out that the goods are the goods of AB (*per* Kay J in *Richards v Butler* [1892] 2 Ch 116, [1982] 61 LJCh 387, [1982] 66 LT 487).

**(d) Implied covenants**

The Law of Property Act 1925 implied certain covenants into conveyances. However, it is widely accepted that it did not apply to intellectual property transactions. Although the definition of property in the legislation is wide (and to understand the situation fully you have to look at several of the so-called Birkenhead Acts of 1925), the LPA 1925 was a consolidating statute and was concerned with conveyancing of real property. It has to be construed on the basis that intellectual property is outside its scope, at least as far as the implied covenants are concerned.

However, the Law of Property (Miscellaneous Provisions) Act 1994 has made changes to this. Under the Act certain covenants for title are implied on a disposition of property. The word ‘property’ is defined to include a thing in action, and any interest in real and personal property. This is the same wording as used in the 1925 legislation, but since the 1994 Act is not a consolidating Act it appears that the limitations which may apply to the 1925 legislation will not apply here. In other words, intellectual property will be covered.

In fact, the Law Commission report ‘Transfer of Land: Implied Covenants for Title’ (Law Com No 199: HC 437) which the 1994 Act implements recommended (in para 4.3) that the definition of property to which the covenants apply should remain unchanged. In fact, it seems that unwittingly the legislation has broadened the definition considerably.

Where a disposition of intellectual property is expressed to be made with full title guarantee or with limited title guarantee the following covenants will be implied:

1. that the person making the disposition has the right to dispose of the property as he purports to, with the concurrence of any other person conveying the property; and

2. that the person will at his own cost do all that he reasonably can to give the person to whom he disposes of the property of the title he purports to give.
A disposition with full title guarantee implies a covenant that the person making the disposition is disposing of the property free from all charges and encumbrances (whether monetary or not), and from all other rights exercisable by third parties, other than any charges, encumbrances or rights which that person does not and could not be reasonably expected to know about.

This extends the liabilities imposed and the rights conferred by or under an enactment unless they do not constitute defects in title because at the time of disposition they are only potential liabilities and rights in relation to the property or that they are imposed or conferred in relation to the property generally.

A disposition made with limited title guarantee carries with it by covenant that the person making the disposition has not since the last disposition value:

(1) charged or encumbered the property by means of any charge or encumbrance which subsists at the time when the disposition is made, or granted third party rights in relation to the property which so subsists; or

(2) suffered the property to be so charged or encumbered or subject to any such rights; and

(3) that he is not aware that anyone else has done so since the last disposition value. No liability under the implied covenants (other than the covenant to do all that he reasonably can to transfer the title purportedly transferred) will arise in respect of any matter to which the disposition is expressly made subject.

The person making the disposition will not be liable under any of those covenants for anything which at the time of disposition was within the actual knowledge of the person for whom the disposition was made, or is a necessary consequence of facts within that person’s knowledge.

**Independence**

Intellectual property rights of different types generally exist quite independently of each other. A patent will not exclude the possibility that an article incorporating the invention should not also be protected under the Registered Designs Act 1949, and that the sign under which the product is sold should not be registered as a trademark. Indeed, the shape of the product itself may now be registrable.

In some circumstances intellectual property rights may be exclusive, but only if statute expressly provides. For example, s 51 of the Copyright, Designs and Patents Act seeks to make copyright and unregistered design right exclusive:
(1) It is not an infringement of any copyright in a design document or model recording or embodying a design for anything other than an artistic work or a typeface to make an article to the design or to copy an article made to the design.

(2) Nor is it an infringement of the copyright to issue to the public, or include in a film, broadcast or cable programme service, anything the making of which was, by virtue of subsection (1), not an infringement of that copyright.

(3) In this section:
   ‘design’ means the design of any aspect of the shape or configuration (whether internal or external) of the whole or part of an article, other than surface decoration; and
   ‘design document’ means any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise.

The owner of copyright in a design document is therefore obliged to rely on unregistered design right (or perhaps a registered design, if he or she has one) to stop three-dimensional reproductions of the design being made. The only exception is where the article depicted in the drawing is itself an artistic work, such as a sculpture.

**Divisibility**

Finally, intellectual property rights are capable of being sliced up in many different ways. The rights in different countries can be sold or licensed to different people, and each type of intellectual property is itself a bundle of rights – copyright, for example, embraces the exclusive right to authorise reproduction, issue of copies to the public, making adaptations, public performance, recording, broadcasting, and including in a cable programme service. Different people can be granted licences to do each of these acts, and they can even be subdivided: an author may give the rights to publish a hardback edition to one publisher and the paperback rights to another.

Similarly, a patent may have a number of different applications and several licensees may be appointed. A trademark may cover a variety of goods and manufacturers of different products may be given the rights to apply it to what they make.

**Volatility**

Intellectual property law is an organic growth. Before printing was invented, literary works required no protection: they resided in the memories of their authors, and were recited to order. Trademarks only became important when society moved on from one in which individuals traded their own products.
Technological and other developments create a demand for intellectual property protection, though as we have seen not all such demands will be met (ask Hughie Green). Throughout this book, you will encounter this theme time and time again. Most recently, our notions about intellectual property are being challenged by the growth of the Internet. Copyright in particular is put in need of reform, and various proposals have been put forward, including a 1995 European Commission Green Paper, mentioned further below in the copyright chapter. The following paper by retired cattle rancher, ex-Grateful Dead lyricist and now Internet guru John Perry Barlow calls into question many of our assumptions about intellectual property:

A framework for rethinking patents and copyrights in the Digital Age  
(Everything you know about intellectual property is wrong)  
By John Perry Barlow

‘If nature has made any one thing less susceptible than all others of exclusive property, it is the action of the thinking power called an idea, which an individual may exclusively possess as long as he keeps it to himself; but the moment it is divulged, it forces itself into the possession of everyone, and the receiver cannot dispossess himself of it. Its peculiar character, too, is that no one possesses the less, because every other possesses the whole of it. He who receives an idea from me, receives instruction himself without lessening mine; as he who lights his taper at mine, receives light without darkening me. That ideas should freely spread from one to another over the globe, for the moral and mutual instruction of man, and improvement of his condition, seems to have been peculiarly and benevolently designed by nature, when she made them, like fire, expansible over all space, without lessening their density at any point, and like the air in which we breathe, move, and have our physical being, incapable of confinement or exclusive appropriation. Inventions then cannot, in nature, be a subject of property.’ (Thomas Jefferson)

Throughout the time I’ve been groping around cyberspace, an immense, unsolved conundrum has remained at the root of nearly every legal, ethical, governmental, and social vexation to be found in the virtual world. I refer to the problem of digitised property. The enigma is this: if our property can be infinitely reproduced and instantaneously distributed all over the planet without cost, without our knowledge, without its even leaving our possession, how can we protect it? How are we going to get paid for the work we do with our minds? And, if we can’t get paid, what will assure the continued creation and distribution of such work?

Since we don’t have a solution to what is a profoundly new kind of challenge, and are apparently unable to delay the galloping digitisation of everything not obstinately physical, we are sailing into the future on a sinking ship. This vessel, the accumulated canon of copyright and patent law, was developed to convey forms and methods of expression entirely different from the vaporous cargo it is now being asked to carry. It is leaking as much from within as from without.
Legal efforts to keep the old boat floating are taking three forms: a frenzy of
deck-chair rearrangement, stern warnings to the passengers that if she goes
down, they will face harsh criminal penalties, and serene, glassy-eyed denial.

Intellectual property law cannot be patched, retrofitted, or expanded to contain
digitised expression any more than real estate law might be revised to cover
the allocation of broadcasting spectrum (which, in fact, rather resembles what
is being attempted here). We will need to develop an entirely new set of
methods as befits this entirely new set of circumstances.

Most of the people who actually create soft property – the programmers,
hackers, and Net surfers – already know this. Unfortunately, neither the
companies they work for nor the lawyers these companies hire have enough
direct experience with non-material goods to understand why they are so
problematic. They are proceeding as though the old laws can somehow be
made to work, either by grotesque expansion or by force. They are wrong.

The source of this conundrum is as simple as its solution is complex. Digital
technology is detaching information from the physical plane, where property
law of all sorts has always found definition.

Throughout the history of copyrights and patents, the proprietary assertions of
thinkers have been focused not on their ideas but on the expression of those
ideas. The ideas themselves, as well as facts about the phenomena of the
world, were considered to be the collective property of humanity. One could
claim franchise, in the case of copyright, on the precise turn of phrase used to
convey a particular idea or the order in which facts were presented.

The point at which this franchise was imposed was that moment when the
‘word became flesh’ by departing the mind of its originator and entering some
physical object, whether book or widget. The subsequent arrival of other
commercial media besides books didn’t alter the legal importance of this
moment. Law protected expression and, with few (and recent) exceptions, to
express was to make physical.

Protecting physical expression had the force of convenience on its side.
Copyright worked well because, Gutenberg notwithstanding, it was hard to
make a book. Furthermore, books froze their contents into a condition which
was as challenging to alter as it was to reproduce. Counterfeiting and
distributing counterfeit volumes were obvious and visible activities – it was
easy enough to catch somebody in the act of doing. Finally, unlike unbound
words or images, books had material surfaces to which one could attach
copyright notices, publisher’s marques, and price tags.

Mental-to-physical conversion was even more central to patent. A patent, until
recently, was either a description of the form into which materials were to be
rendered in the service of some purpose, or a description of the process by
which rendition occurred. In either case, the conceptual heart of patent was the
material result. If no purposeful object could be rendered because of some
material limitation, the patent was rejected. Neither a Klein bottle nor a shovel
made of silk could be patented. It had to be a thing, and the thing had to work.

Thus, the rights of invention and authorship adhered to activities in the
physical world. One didn’t get paid for ideas, but for the ability to deliver them
into reality. For all practical purposes, the value was in the conveyance and not in the thought conveyed.

In other words, the bottle was protected, not the wine.

Now, as information enters cyberspace, the native home of Mind, these bottles are vanishing. With the advent of digitisation, it is now possible to replace all previous information storage forms with one metabottle: complex and highly liquid patterns of ones and zeros.

Even the physical/digital bottles to which we’ve become accustomed – floppy disks, CD-ROMs, and other discrete, shrink-wrapappable bit-packages – will disappear as all computers jack into the global Net. While the Internet may never include every CPU on the planet, it is more than doubling every year and can be expected to become the principal medium of information conveyance, and perhaps eventually, the only one.

Once that has happened, all the goods of the Information Age – all of the expressions once contained in books or film strips or newsletters – will exist either as pure thought or something very much like thought: voltage conditions darting around the Net at the speed of light, in conditions that one might behold in effect, as glowing pixels or transmitted sounds, but never touch or claim to ‘own’ in the old sense of the word.

Some might argue that information will still require some physical manifestation, such as its magnetic existence on the titanic hard disks of distant servers, but these are bottles which have no macroscopically discrete or personally meaningful form.

Some will also argue that we have been dealing with unbottled expression since the advent of radio, and they would be right. But for most of the history of broadcast, there was no convenient way to capture soft goods from the electromagnetic ether and reproduce them with quality available in commercial packages. Only recently has this changed, and little has been done legally or technically to address the change.

Generally, the issue of consumer payment for broadcast products was irrelevant. The consumers themselves were the product. Broadcast media were supported either by the sale of the attention of their audience, through taxes, or by the whining mendicancy of annual donor drives.

All of the broadcast-support models are flawed. Support either by advertisers or government has almost invariably tainted the purity of the goods delivered. Besides, direct marketing is gradually killing the advertiser-support model anyway.

Broadcast media gave us another payment method for a virtual product: the royalties that broadcasters pay songwriters through such organisations as ASCAP and BMI. But, as a member of ASCAP, I can assure you this is not a model that we should emulate. The monitoring methods are wildly approximate. There is no parallel system of accounting in the revenue stream. It doesn’t really work. Honest.

In any case, without our old methods, based on physically defining the expression of ideas, and in the absence of successful new models for non-physical transaction, we simply don’t know how to assure reliable payment for
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mental works. To make matters worse, this comes at a time when the human mind is replacing sunlight and mineral deposits as the principal source of new wealth.

Furthermore, the increasing difficulty of enforcing existing copyright and patent laws is already placing in peril the ultimate source of intellectual property – the free exchange of ideas.

That is, when the primary articles of commerce in a society look so much like speech as to be indistinguishable from it, and when the traditional methods of protecting their ownership have become ineffectual, attempting to fix the problem with broader and more vigorous enforcement will inevitably threaten freedom of speech. The greatest constraint on your future liberties may come not from government but from corporate legal departments labouring to protect by force what can no longer be protected by practical efficiency or general social consent.

Furthermore, when Jefferson and his fellow creatures of the Enlightenment designed the system that became American copyright law, their primary objective was assuring the widespread distribution of thought, not profit. Profit was the fuel that would carry ideas into the libraries and minds of their new republic. Libraries would purchase books, thus rewarding the authors for their work in assembling ideas; these ideas, otherwise ‘incapable of confinement’, would then become freely available to the public. But what is the role of libraries in the absence of books? How does society now pay for the distribution of ideas if not by charging for the ideas themselves?

Additionally complicating the matter is the fact that along with the disappearance of the physical bottles in which intellectual property protection has resided, digital technology is also erasing the legal jurisdictions of the physical world and replacing them with the unbounded and perhaps permanently lawless waves of cyberspace.

In cyberspace, no national or local boundaries contain the scene of a crime and determine the method of its prosecution; worse, no clear cultural agreements define what a crime might be. Unresolved and basic differences between western and Asian cultural assumptions about intellectual property can only be exacerbated when many transactions are taking place in both hemispheres and yet, somehow, in neither.

Even in the most local of digital conditions, jurisdiction and responsibility are hard to assess. A group of music publishers filed suit against CompuServe this fall because it allowed its users to upload musical compositions into areas where other users might access them. But since CompuServe cannot practically exercise much control over the flood of bits that passes between its subscribers, it probably shouldn’t be held responsible for unlawfully ‘publishing’ these works.

Notions of property, value, ownership, and the nature of wealth itself are changing more fundamentally than at any time since the Sumerians first poked cuneiform into wet clay and called it stored grain. Only a very few people are aware of the enormity of this shift, and fewer of them are lawyers or public officials.
Those who do see these changes must prepare responses for the legal and social confusion that will erupt as efforts to protect new forms of property with old methods become more obviously futile, and, as a consequence, more adamant.

**From swords to writs to bits**

Humanity now seems bent on creating a world economy primarily based on goods that take no material form. In doing so, we may be eliminating any predictable connection between creators and a fair reward for the utility or pleasure others may find in their works.

Without that connection, and without a fundamental change in consciousness to accommodate its loss, we are building our future on furore, litigation, and institutionalised evasion of payment except in response to raw force. We may return to the Bad Old Days of property.

Throughout the darker parts of human history, the possession and distribution of property was a largely military matter. ‘Ownership’ was assured to those with the nastiest tools, whether fists or armies, and the most resolute will to use them. Property was the divine right of thugs.

By the turn of the first millennium AD, the emergence of merchant classes and landed gentry forced the development of ethical understandings for the resolution of property disputes. In the Middle Ages, enlightened rulers like England’s Henry II began to codify this unwritten ‘common law’ into recorded canons. These laws were local, which didn’t matter much as they were primarily directed at real estate, a form of property that is local by definition. And, as the name implied, was very real.

This continued to be the case as long as the origin of wealth was agricultural, but with that dawning of the Industrial Revolution, humanity began to focus as much on means as ends. Tools acquired a new social value and, thanks to their development, it became possible to duplicate and distribute them in quantity.

To encourage their invention, copyright and patent law were developed in most western countries. These laws were devoted to the delicate task of getting mental creations into the world where they could be used – and could enter the minds of others – while assuring their inventors compensation for the value of their use. And, as previously stated, the systems of both law and practice which grew up around that task were based on physical expression.

Since it is now possible to convey ideas from one mind to another without ever making them physical, we are now claiming to own ideas themselves and not merely their expression. And since it is likewise now possible to create useful tools that never take physical form, we have taken to patenting abstractions, sequences of virtual events, and mathematical formulae – the most unreal estate imaginable.

In certain areas, this leaves rights of ownership in such an ambiguous condition that property again adheres to those who can muster the largest armies. The only difference is that this time the armies consist of lawyers.

Threatening their opponents with the endless purgatory of litigation, over which some might prefer death itself, they assert claim to any thought which
might have entered another cranium within the collective body of the
corporations they serve. They act as though these ideas appeared in splendid
detachment from all previous human thought. And they pretend that thinking
about a product is somehow as good as manufacturing, distributing, and
selling it.

What was previously considered a common human resource, distributed
among the minds and libraries of the world, as well as the phenomena of
nature herself, is now being fenced and deeded. It is as though a new class of
enterprise had arisen that claimed to own the air.

What is to be done? While there is a certain grim fun to be had in it, dancing on
the grave of copyright and patent will solve little, especially when so few are
willing to admit that the occupant of this grave is even deceased, and so many
are trying to uphold by force what can no longer be upheld by popular
consent.

The legalists, desperate over their slipping grip, are vigorously trying to extend
their reach. Indeed, the US and other proponents of GATT are making
adherence to our moribund systems of intellectual property protection a
condition of membership in the marketplace of nations. For example, China
will be denied Most Favoured Nation trading status unless they agree to
uphold a set of culturally alien principles that are no longer even sensibly
applicable in their country of origin.

In a more perfect world, we’d be wise to declare a moratorium on litigation,
legislation, and international treaties in this area until we had a clearer sense of
the terms and conditions of enterprise in cyberspace. Ideally, laws ratify
already developed social consensus. They are less the Social Contract itself
than a series of memoranda expressing a collective intent that has emerged out
of many millions of human interactions.

Humans have not inhabited cyberspace long enough or in sufficient diversity
to have developed a Social Contract which conforms to the strange new
conditions of that world. Laws developed prior to consensus usually favour
the already established few who can get them passed, and not society as a
whole.

To the extent that law and established social practice exists in this area, they
are already in dangerous disagreement. The laws regarding unlicensed
reproduction of commercial software are clear and stern ... and rarely
observed. Software piracy laws are so practically unenforceable and breaking
them has become so socially acceptable that only a thin minority appears
compelled, either by fear or conscience, to obey them. When I give speeches on
this subject, I always ask how many people in the audience can honestly claim
to have no unauthorised software on their hard disks. I’ve never seen more
than 10% of the hands go up.

Whenever there is such profound divergence between law and social practice,
it is not society that adapts. Against the swift tide of custom, the software
publishers’ current practice of hanging a few visible scapegoats is so obviously
capricious as to only further diminish respect for the law.
Part of the widespread disregard for commercial software copyrights stems from a legislative failure to understand the conditions into which it was inserted. To assume that systems of law based in the physical world will serve in an environment as fundamentally different as cyberspace is a folly for which everyone doing business in the future will pay.

As I will soon discuss in detail, unbounded intellectual property is very different from physical property and can no longer be protected as though these differences did not exist. For example, if we continue to assume that value is based on scarcity, as it is with regard to physical objects, we will create laws that are precisely contrary to the nature of information, which may, in many cases, increase in value with distribution.

The large, legally risk-averse institutions most likely to play by the old rules will suffer for their compliance. As more lawyers, guns, and money are invested in either protecting their rights or subverting those of their opponents, their ability to produce new technology will simply grind to a halt as every move they make drives them deeper into a tar pit of courtroom warfare.

Faith in law will not be an effective strategy for high-tech companies. Law adapts by continuous increments and at a pace second only to geology. Technology advances in lunging jerks, like the punctuation of biological evolution grotesquely accelerated. Real-world conditions will continue to change at a blinding pace, and the law will lag further behind, more profoundly confused. This mismatch may prove impossible to overcome.

Promising economies based on purely digital products will either be born in a state of paralysis, as appears to be the case with multimedia, or continue in a brave and wilful refusal by their owners to play the ownership game at all.

In the US one can already see a parallel economy developing, mostly among small, fast moving enterprises who protect their ideas by getting into the marketplace quicker then their larger competitors who base their protection on fear and litigation.

Perhaps those who are part of the problem will simply quarantine themselves in court, while those who are part of the solution will create a new society based, at first, on piracy and freebooting. It may well be that when the current system of intellectual property law has collapsed, as seems inevitable, that no new legal structure will arise in its place.

But something will happen. After all, people do business. When a currency becomes meaningless, business is done in barter. When societies develop outside the law, they develop their own unwritten codes, practices, and ethical systems. While technology may undo law, technology offers methods for restoring creative rights.

**A Taxonomy of Information**

It seems to me that the most productive thing to do now is to look into the true nature of what we’re trying to protect. How much do we really know about information and its natural behaviours?

What are the essential characteristics of unbounded creation? How does it differ from previous forms of property? How many of our assumptions about
it have actually been about its containers rather than their mysterious contents? What are its different species and how does each of them lend itself to control? What technologies will be useful in creating new virtual bottles to replace the old physical ones?

Of course, information is, by nature, intangible and hard to define. Like other such deep phenomena as light or matter, it is a natural host to paradox. It is most helpful to understand light as being both a particle and a wave, an understanding of information may emerge in the abstract congruence of its several different properties which might be described by the following three statements:

- Information is an activity.
- Information is a life form.
- Information is a relationship.

In the following section, I will examine each of these.

1. INFORMATION IS AN ACTIVITY

INFORMATION IS A VERB, NOT A NOUN

Freed of its containers, information is obviously not a thing. In fact, it is something that happens in the field of interaction between minds or objects or other pieces of information.

Gregory Bateson, expanding on the information theory of Claude Shannon, said, ‘Information is a difference which makes a difference.’ Thus, information only really exists in the Delta. The making of that difference is an activity within a relationship. Information is an action which occupies time rather than a state of being which occupies physical space, as is the case with hard goods. It is the pitch, not the baseball, the dance, not the dancer.

INFORMATION IS EXPERIENCED, NOT POSSESSED

Even when it has been encapsulated in some static form like a book or a hard disk, information is still something that happens to you as you mentally decompress it from its storage code. But, whether it’s running at gigabits per second or words per minute, the actual decoding is a process that must be performed by and upon a mind, a process that must take place in time.

There was a cartoon in the Bulletin of Atomic Scientists a few years ago that illustrated this point beautifully. In the drawing, a hold-up man trains his gun on the sort of bespectacled fellow you’d figure might have a lot of information stored in his head. ‘Quick,’ orders the bandit, ‘give me all your ideas.’

INFORMATION HAS TO MOVE

Sharks are said to die of suffocation if they stop swimming, and the same is nearly true of information. Information that isn’t moving ceases to exist as anything but potential ... at least until it is allowed to move again. For this reason, the practice of information hoarding, common in bureaucracies, is an especially wrong-headed artefact of physically based value systems.
INFORMATION IS CONVEYED BY PROPAGATION, NOT DISTRIBUTION

The way in which information spreads is also very different from the distribution of physical goods. It moves more like something from nature than from a factory. It can concatenate like falling dominoes or grow in the usual fractal lattice, like frost spreading on a window, but it cannot be shipped around like widgets, except to the extent that it can be contained in them. It doesn’t simply move on; it leaves a trail everywhere it’s been.

The central economic distinction between information and physical property is that information can be transferred without leaving the possession of the original owner. If I sell you my horse, I can’t ride him after that. If I sell you what I know, we both know it.

2. INFORMATION IS A LIFE FORM

INFORMATION WANTS TO BE FREE

Stewart Brand is generally credited with this elegant statement of the obvious, which recognises both the natural desire of secrets to be told and the fact that they might be capable of possessing something like a ‘desire’ in the first place.

English biologist and philosopher Richard Dawkins proposed the idea of ‘memes,’ self-replicating patterns of information that propagate themselves across the ecologies of mind, a pattern of reproduction much like that of life forms.

I believe they are life forms in every respect but their freedom from the carbon atom. They self-reproduce, they interact with their surroundings and adapt to them, they mutate, they persist. They evolve to fill the empty niches of their local environments, which are, in this case the surrounding belief systems and cultures of their hosts, namely, us.

Indeed, sociobiologists like Dawkins make a plausible case that carbon-based life forms are information as well, that, as the chicken is an egg’s way of making another egg, the entire biological spectacle is just the DNA molecule’s means of copying out more information strings exactly like itself.

INFORMATION REPLICATES INTO THE CRACKS OF POSSIBILITY

Like DNA helices, ideas are relentless expansionists, always seeking new opportunities for Lebensraum. And, as in carbon-based nature, the more robust organisms are extremely adept at finding new places to live. Thus, just as the common housefly has insinuated itself into practically every ecosystem on the planet, so has the meme of ‘life after death’ found a niche in most minds, or psycho-ecologies.

The more universally resonant an idea or image or song, the more minds it will enter and remain within. Trying to stop the spread of a really robust piece of information is about as easy as keeping killer bees south of the border.

INFORMATION WANTS TO CHANGE

If ideas and other interactive patterns of information are indeed life-forms, they can be expected to evolve constantly into forms which will be more
perfectly adapted to their surroundings. And, as we see, they are doing this all the time.

But for a long time, our static media, whether carvings in stone, ink on paper, or dye on celluloid, have strongly resisted the evolutionary impulse, exalting as a consequence the author’s ability to determine the finished product. But, as in an oral tradition, digitised information has no ‘final cut’.

Digital information, unconstrained by packaging, is a continuing process more like the metamorphosing tales of prehistory than anything that will fit in shrink-wrap. From the Neolithic to Gutenberg (monks aside), information was passed on, mouth to ear, changing with every retelling (or resinging). The stories which once shaped our sense of the world didn’t have authoritative versions. They adapted to each culture in which they found themselves being told.

Because there was never a moment when the story was frozen in print, the so-called ‘moral’ right of storytellers to own the tale was neither protected nor recognised. The story simply passed through each of them on its way to the next, where it would assume a different form. As we return to continuous information, we can expect the importance of authorship to diminish. Creative people may have to renew their acquaintance with humility.

But our system of copyright makes no accommodation whatever for expressions which don’t become fixed at some point nor for cultural expressions which lack a specific author or inventor.

Jazz improvisations, stand-up comedy routines, mime performances, developing monologues, and unrecorded broadcast transmissions all lack the constitutional requirement of fixation as a ‘writing’. Without being fixed by a point of publication, the liquid works of the future will all look more like these continuously adapting and changing forms and will therefore exist beyond the reach of copyright.

Copyright expert Pamela Samuelson tells of having attended a conference last year convened around the fact that western countries may legally appropriate the music, designs, and biomedical lore of aboriginal people without compensation to their tribes of origin since those tribes are not an ‘author’ or ‘inventors’.

But soon most information will be generated collaboratively by the cyber-tribal hunter-gatherers of cyberspace. Our arrogant legal dismissal of the rights of ‘primitives’ will be soon return to haunt US.

INFORMATION IS PERISHABLE

With the exception of the rare classic, most information is like farm produce. Its quality degrades rapidly both over time and in distance from the source of production. But even here, value is highly subjective and conditional. Yesterday’s papers are quite valuable to the historian. In fact, the older they are, the more valuable they become. On the other hand, a commodities broker might consider news of an event that occurred more than an hour ago to have lost any relevance.
3. INFORMATION IS A RELATIONSHIP
MEANING HAS VALUE AND IS UNIQUE TO EACH CASE

In most cases, we assign value to information based on its meaningfulness. The place where information dwells, the holy moment where transmission becomes reception, is a region which has many shifting characteristics and flavours depending on the relationship of sender and receiver, the depth of their interactivity.

Each such relationship is unique. Even in cases where the sender is a broadcast medium, and no response is returned, the receiver is hardly passive. Receiving information is often as creative an act as generating it.

The value of what is sent depends entirely on the extent to which each individual receiver has the receptors – shared terminology, attention, interest, language, paradigm – necessary to render what is received meaningful.

Understanding is a critical element increasingly overlooked in the effort to turn information into a commodity. Data may be any set of facts, useful or not, intelligible or inscrutable, germane or irrelevant. Computers can crank out new data all night long without human help, and the results may be offered for sale as information. They may or may not actually be so. Only a human being can recognise the meaning that separates information from data.

In fact, information, in the economic sense of the word, consists of data which have been passed through a particular human mind and found meaningful within that mental context. One fella’s information is all just data to someone else. If you’re an anthropologist, my detailed charts of Tasaday kinship patterns might be critical information to you. If you’re a banker from Hong Kong, they might barely seem to be data.

FAMILIARITY HAS MORE VALUE THAN SCARCITY

With physical goods, there is a direct correlation between scarcity and value. Gold is more valuable than wheat, even though you can’t eat it. While this is not always the case, the situation with information is often precisely the reverse. Most soft goods increase in value as they become more common. Familiarity is an important asset in the world of information. It may often be true that the best way to raise demand for your product is to give it away.

While this has not always worked with shareware, it could be argued that there is a connection between the extent to which commercial software is pirated and the amount which gets sold. Broadly pirated software, such as Lotus 1-2-3 or WordPerfect, becomes a standard and benefits from the Law of Increasing Returns based on familiarity.

In regard to my own soft product, rock’n’roll songs, there is no question that the band I write them for, the Grateful Dead, has increased its popularity enormously by giving them away. We have been letting people tape our concerts since the early seventies, but instead of reducing the demand for our product, we are now the largest concert draw in America, a fact that is at least in part attributable to the popularity generated by those tapes.
True, I don’t get any royalties on the millions of copies of my songs which have been extracted from concerts, but I see no reason to complain. The fact is, no one but the Grateful Dead can perform a Grateful Dead song, so if you want the experience and not its thin projection, you have to buy a ticket from us. In other words, our intellectual property protection derives from our being the only real-time source of it.

EXCLUSIVITY HAS VALUE

The problem with a model that turns the physical scarcity/value ratio on its head is that sometimes the value of information is very much based on its scarcity. Exclusive possession of certain facts makes them more useful. If everyone knows about conditions which might drive a stock price up, the information is valueless.

But again, the critical factor is usually time. It doesn’t matter if this kind of information eventually becomes ubiquitous. What matters is being among the first who possess it and act on it. While potent secrets usually don’t stay secret, they may remain so long enough to advance the cause of their original holders.

POINT OF VIEW AND AUTHORITY HAVE VALUE

In a world of floating realities and contradictory maps, rewards will accrue to those commentators whose maps seem to fit their territory snugly, based on their ability to yield predictable results for those who use them.

In aesthetic information, whether poetry or rock ‘n’ roll, people are willing to buy the new product of an artist, sight unseen, based on their having been delivered a pleasurable experience by previous work.

Reality is an edit. People are willing to pay for the authority of those editors whose point of view seems to fit best. And again, point of view is an asset which cannot be stolen or duplicated. No one sees the world as Esther Dyson does, and the handsome fee she charges for her newsletter is actually payment for the privilege of looking at the world through her unique eyes.

TIME REPLACES SPACE

In the physical world, value depends heavily on possession or proximity in space. One owns the material that falls inside certain dimensional boundaries. The ability to act directly, exclusively, and as one wishes upon what falls inside those boundaries is the principal right of ownership. The relationship between value and scarcity is a limitation in space.

In the virtual world, proximity in time is a value determinant. An informational product is generally more valuable the closer the purchaser can place themselves to the moment of its expression, a limitation in time. Many kinds of information degrade rapidly with either time or reproduction. Relevance fades as the territory they map changes. Noise is introduced and bandwidth lost with passage away from the point where the information is first produced.

Thus, listening to a Grateful Dead tape is hardly the same experience as attending a Grateful Dead concert. The closer one can get to the
headwaters of an informational stream, the better one’s chances of finding an accurate picture of reality in it. In an era of easy reproduction, the informational abstractions of popular experiences will propagate out from their source moments to reach anyone who’s interested. But it’s easy enough to restrict the real experience of the desirable event, whether knock-out punch or guitar lick, to those willing to pay for being there.

THE PROTECTION OF EXECUTION

In the hick town I come from, they don’t give you much credit for just having ideas. You are judged by what you can make of them. As things continue to speed up, I think we see that execution is the best protection for those designs which become physical products. Or, as Steve Jobs once put it, ‘Real artists ship’. The big winner is usually the one who gets to the market first (and with enough organisational force to keep the lead).

But, as we become fixated upon information commerce, many of us seem to think that originality alone is sufficient to convey value, deserving, with the right legal assurances, of a steady wage. In fact, the best way to protect intellectual property is to act on it. It’s not enough to invent and patent; one has to innovate as well. Someone claims to have patented the microprocessor before Intel. Maybe so. If he’d actually started shipping microprocessors before Intel, his claim would seem far less spurious.

INFORMATION AS ITS OWN REWARD

It is now a commonplace to say that money is information. With the exception of Krugerrands, crumpled cab fare, and the contents of those suitcases that drug lords are reputed to carry, the informationised world is in ones and zeros. The global money supply sloshes around the Net, as fluid as weather. It is also obvious, that information has become as fundamental to the creation of modern wealth as land and sunlight once were.

What is less obvious is the extent to which information is acquiring intrinsic value, not as a means to acquisition but as the object to be acquired. I suppose this has always been less explicitly the case. In politics and academia, potency and information have always been closely related.

However, as we increasingly buy information with money, we begin to see that buying information with other information is simple economic exchange without the necessity of converting the product into and out of currency. This is somewhat challenging for those who like clean accounting, since, information theory aside, informational exchange rates are too squashy to quantify to the decimal point.

Nevertheless, most of what a middle class American purchases has little to do with survival. We buy beauty, prestige, experience, education, and all the obscure pleasures of owning. Many of these things can not only be expressed in non-material terms, they can be acquired by non-material means.

And then there are the inexplicable pleasures of information itself, the joys of learning, knowing, and teaching; the strange good feeling of information coming into and out of oneself. Playing with ideas is a recreation which
people are willing to pay a lot for, given the market for books and elective seminars. We’d likely spend even more money for such pleasures if we didn’t have so many opportunities to pay for ideas with other ideas. This explains much of the collective ‘volunteer’ work which fills the archives, newsgroups, and databases of the Internet. Its denizens are not working for ‘nothing’, as is widely believed. Rather they are getting paid in something besides money. It is an economy which consists almost entirely of information.

This may become the dominant form of human trade, and if we persist in modelling economics on a strictly monetary basis, we may be gravely misled.

GETTING PAID IN CYBERSPACE

How all the foregoing relates to solutions to the crisis in intellectual property is something I’ve barely started to wrap my mind around. It’s fairly paradigm warping to look at information through fresh eyes – to see how very little it is like pig iron or pork bellies, and to imagine the tottering travesties of case law we will stack up if we go on legally treating it as though it were.

As I’ve said, I believe these towers of outmoded boilerplate will be a smoking heap some time in the next century, and we miners will have no choice but to cast our lot with the new systems that work.

I’m not really so gloomy about our prospects as readers of this jeremiad so far might conclude. Solutions will emerge. Nature abhors a vacuum and so does commerce.

Indeed, one of the aspects of the electronic frontier which I have always found most appealing – and the reason Mitch Kapor and I used that phrase in naming our foundation – is the degree to which it resembles the 19th-century American West in its natural preference for social devices that emerge from its conditions rather than those that are imposed from the outside.

Until the West was fully settled and ‘civilised’ in this century, order was established according to an unwritten code of the West, which had the fluidity of common law rather than the rigidity of statutes. Ethics were more important than rules. Understandings were preferred over laws, which were, in any event, largely unenforceable.

I believe that law, as we understand it, was developed to protect the interests which arose in the two economic ‘waves’ which Alvin Toffler accurately identified in the Third Wave. The First Wave was agriculturally based and required law to order ownership of the principal source of production, land. In the Second Wave, manufacturing became the economic mainspring, and the structure of modern law grew around the centralised institutions that needed protection for their reserves of capital, labour, and hardware.

Both of these economic systems required stability. Their laws were designed to resist change and to assure some equability of distribution within a fairly static social framework. The empty niches had to be
constrained to preserve the predictability necessary to either land stewardship or capital formation.

In the Third Wave we have now entered, information to a large extent replaces land, capital, and hardware, and information is most at home in a much more fluid and adaptable environment. The Third Wave is likely to bring a fundamental shift in the purposes and methods of law which will affect far more than simply those statutes which govern intellectual property.

The ‘terrain’ itself – the architecture of the Net – may come to serve many of the purposes which could only be maintained in the past by legal imposition. For example, it may be unnecessary to constitutionally assure freedom of expression in an environment which, in the words of my fellow EFF co-founder John Gilmore, ‘treats censorship as a malfunction’ and reroutes proscribed ideas around it.

Similar natural balancing mechanisms may arise to smooth over the social discontinuities which previously required legal intercession to set right. On the Net, these differences are more likely to be spanned by a continuous spectrum that connects as much as it separates.

And, despite their fierce grip on the old legal structure, companies which trade in information are likely to find that their increasing inability to deal sensibly with technological issues will not be remedied in the courts, which won’t be capable of producing verdicts predictable enough to be supportive of long-term enterprise. Every litigation will become like a game of Russian roulette, depending on the depth of the presiding judge’s clue-impairment.

Uncodified or adaptive ‘law’, while as ‘fast, loose, and out of control’ as other emergent forms, is probably more likely to yield something like justice at this point. In fact, one can already see in development new practices to suit the conditions of virtual commerce. The life forms of information are evolving methods to protect their continued reproduction.

For example, while all the tiny print on a commercial diskette envelope punctiliously requires a great deal of those who would open it, few who read those provisos follow them to the letter. And yet, the software business remains a very healthy sector of the American economy.

Why is this? Because people seem to eventually buy the software they really use. Once a program becomes central to your work, you want the latest version of it, the best support, the actual manuals, all privileges attached to ownership. Such practical considerations will, in the absence of working law, become more and more important in getting paid for what might easily be obtained for nothing.

I do think that some software is being purchased in the service of ethics or the abstract awareness that the failure to buy it will result in its not being produced any longer, but I’m going to leave those motivators aside. While I believe that the failure of law will almost certainly result in a compensating re-emergence of ethics as the ordering template of society, this is a belief I don’t have room to support here.
Instead, I think that, as in the case cited above, compensation for soft products will be driven primarily by practical considerations, all of them consistent with the true properties of digital information, where the value lies in it, and how it can be both manipulated and protected by technology.

While the conundrum remains a conundrum, I can begin to see the directions from which solutions may emerge, based in part on broadening those practical solutions which are already in practice.

RELATIONSHIP AND ITS TOOLS

I believe one idea is central to understanding liquid commerce: information economics, in the absence of objects, will be based more on relationship than possession.

The existing model for the future conveyance of intellectual property is real-time performance, a medium currently used only in theatre, music, lectures, stand-up comedy, and pedagogy. I believe the concept of performance will expand to include most of the information economy, from multicasted soap operas to stock analysis. In these instances, commercial exchange will be more like ticket sales to a continuous show than the purchase of discrete bundles of that which is being shown.

The other existing model, of course, is service. The entire professional class – doctors, lawyers, consultants, architects, and so on – are already being paid directly for their intellectual property. Who needs copyright when you’re on a retainer?

In fact, until the late 18th century this model was applied to much of what is now copyrighted. Before the industrialisation of creation, writers, composers, artists, and the like produced their products in the private service of patrons. Without objects to distribute in a mass market, creative people will return to a condition somewhat like this, except that they will serve many patrons, rather than one.

We can already see the emergence of companies which base their existence on supporting and enhancing the soft property they create rather than selling it by the shrink-wrapped piece or embedding it in widgets.

Trip Hawkins’s new company for creating and licensing multimedia tools, 3DO, is an example of what I’m talking about. 3DO doesn’t intend to produce any commercial software or consumer devices. Instead, it will act as a kind of private standards-setting body, mediating among software and device creators who will be their licensees. It will provide a point of commonality for relationships between a broad spectrum of entities.

In any case, whether you think of yourself as a service provider or a performer, the future protection of your intellectual property will depend on your ability to control your relationship to the market – a relationship which will most likely live and grow over a period of time.

The value of that relationship will reside in the quality of performance, the uniqueness of your point of view, the validity of your expertise, its relevance to your market, and, underlying everything, the ability of that market to access your creative services swiftly, conveniently, and interactively.
INTERACTION AND PROTECTION

Direct interaction will provide a lot of intellectual property protection in the future, and, indeed, already has. No one knows how many software pirates have bought legitimate copies of a program after calling its publisher for technical support and offering some proof of purchase, but I would guess the number is very high.

The sane kind of controls will be applicable to ‘question and answer’ relationships between authorities (or artists), and those who seek their expertise. Newsletters, magazines, and books will be supplemented by the ability of their subscribers to ask direct questions of authors.

Interactivity will be a billable commodity even in the absence of authorship. As people move into the Net and increasingly get their information directly from its point of production, unfiltered by centralised media, they will attempt to develop the same interactive ability to probe reality that only experience has provided them in the past. Live access to these distant ‘eyes and ears’ will be much easier to cordon than access to static bundles of stored but easily reproducible information.

In most cases, control will be based on restricting access to the freshest, highest bandwidth information. It will be a matter of defining the ticket, the venue, the performer, and the identity of the ticket holder, definitions which I believe will take their forms from technology, not law. In most cases, the defining technology will be cryptography.

CRYPTO BOTTLING

Cryptography, as I’ve said perhaps too many times, is the ‘material’ from which the walls, boundaries – and bottles – of cyberspace will be fashioned.

Of course there are problems with cryptography or any other purely technical method of property protection. It has always appeared to me that the more security you hide your goods behind, the more likely you are to turn your sanctuary into a target. Having come from a place where people leave their keys in their cars and don’t even have keys to their houses, I remain convinced that the best obstacle to crime is a society with its ethics intact.

While I admit that this is not the kind of society most of us live in, I also believe that a social overreliance on protection by barricades rather than conscience will eventually wither the latter by turning intrusion and theft into a sport, rather than a crime. This is already occurring in the digital domain as is evident in the activities of computer crackers.

Furthermore, I would argue that initial efforts to protect digital copyright by copy protection contributed to the current condition in which most otherwise ethical computer users seem morally untroubled by their possession of pirated software.

Instead of cultivating among the newly computerised a sense of respect for the work of their fellows, early reliance on copy protection led to the subliminal notion that cracking into a software package somehow ‘earned’
one the right to use it. Limited not by conscience but by technical skill, many soon felt free to do whatever they could get away with. This will continue to be a potential liability of the encryption of digitised commerce. Furthermore, it’s cautionary to remember that copy protection was rejected by the market in most areas. Many of the upcoming efforts to use cryptography-based protection schemes will probably suffer the same fate. People are not going to tolerate much that makes computers harder to use than they already are without any benefit to the user.

Nevertheless, encryption has already demonstrated a certain blunt utility. New subscriptions to various commercial satellite TV services skyrocketed recently after their deployment of more robust encryption of their feeds. This, despite a booming backwoods trade in black decoder chips, conducted by folks who’d look more at home running moonshine than cracking code.

Another obvious problem with encryption as a global solution is that once something has been unscrambled by a legitimate licensee, it may be available to massive reproduction.

In some instances, reproduction following decryption may not be a problem. Many soft products degrade sharply in value with time. It may be that the only real interest in such products will be among those who have purchased the keys to immediacy.

Furthermore, as software becomes more modular and distribution moves online, it will begin to metamorphose in direct interaction with its user base. Discontinuous upgrades will smooth into a constant process of incremental improvement and adaptation, some of it man-made and some of it arising through genetic algorithms. Pirated copies of software may become too static to have much value to anyone.

Even in cases such as images, where the information is expected to remain fixed, the unencrypted file could still be interwoven with code which could continue to protect it by a wide variety of means.

In most of the schemes I can project, the file would be ‘alive’ with permanently embedded software that could ‘sense’ the surrounding conditions and interact with them. For example, it might contain code that could detect the process of duplication and cause it to self-destruct.

Other methods might give the file the ability to ‘phone home’ through the Net to its original owner. The continued integrity of some files might require periodic ‘feeding’ with digital cash from their host, which they would then relay back to their authors.

Of course files that possess the independent ability to communicate upstream sound uncomfortably like the Morris Internet Worm. ‘Live’ files do have a certain viral quality. And serious privacy issues would arise if everyone’s computer were packed with digital spies.

The point is that cryptography will enable protection technologies that will develop rapidly in the obsessive competition that has always existed between lock-makers and lock-breakers.
But cryptography will not be used simply for making locks. It is also at the heart of both digital signatures and the aforementioned digital cash, both of which I believe will be central to the future protection of intellectual property.

I believe that the generally acknowledged failure of the shareware model in software had less to do with dishonesty than with the simple inconvenience of paying for shareware. If the payment process can be automated, as digital cash and signature will make possible, I believe that soft product creators will reap a much higher return from the bread they cast upon the waters of cyberspace.

Moreover, they will be spared much of the overhead presently attached to the marketing, manufacture, sales, and distribution of information products, whether those products are computer programs, books, CDs, or motion pictures. This will reduce prices and further increase the likelihood of non-compulsory payment.

But of course there is a fundamental problem with a system that requires, through technology, payment for every access to a particular expression. It defeats the original Jeffersonian purpose of seeing that ideas were available to everyone regardless of their economic station. I am not comfortable with a model that will restrict enquiry to the wealthy.

AN ECONOMY OF VERBS

The future forms and protections of intellectual property are densely obscured at this entrance to the Virtual Age. Nevertheless, I can make (or reiterate) a few flat statements that I earnestly believe won’t look too silly in 50 years.

In the absence of the old containers, almost everything we think we know about intellectual property is wrong. We’re going to have to unlearn it. We’re going to have to look at information as though we’d never seen the stuff before.

The protections that we will develop will rely far more on ethics and technology than on law.

Encryption will be the technical basis for most intellectual property protection. (And should, for many reasons, be made more widely available.)

The economy of the future will be based on relationship rather than possession. It will be continuous rather than sequential.

And finally, in the years to come, most human exchange will be virtual rather than physical, consisting not of stuff but the stuff of which dreams are made. Our future business will be conducted in a world made more of verbs than nouns.

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WIRED Online Copyright Notice
All these factors make intellectual property valuable, dynamic and (hopefully) interesting to study. We can now turn to examine the various rights in detail.
CHAPTER TWO

INTELLECTUAL PROPERTY
AND THE EUROPEAN COMMUNITY

INTRODUCTION

The Treaty of Rome set up the European Economic Community and created (on paper at least) a common market among the then six members. Nearly 40 years on, the Common Market (or single market, or internal market) remains an aspiration rather than a reality: the EEC has become the EC, and that forms one of the three legs of the European Union (though since it is the EC from which the legislation that we are concerned with comes, we shall not talk any more about the EU: the newspapers and others who have indiscriminately adopted the newer expression are simply wrong), comprising now 15 members. The original problems posed by national intellectual property laws are today more pressing than ever.

Let us start by considering what the Community is all about:

**Treaty of Rome, Arts 2, 3: Basic Principles**

2. The Community shall have as its task, by setting up a Common Market and progressively approximating the economic policies of Member States, to promote throughout the Community an harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the Member States belonging to it.

3. For the purposes set out in Article 2, the activities of the Community shall include, on the conditions and in accordance with the timetable provided in this Treaty:

   (a) the elimination, as between Member States, of customs duties and of quantitative restrictions in regard to the import and export of goods, as well as of all other measures having equivalent effect;
   
   (b) the establishment of a common custom tariff and of a common commercial policy towards third countries;
   
   (c) the abolition, as between Member States, of obstacles to freedom of movement for persons, services and capital;
   
   (d) the establishment of a common policy in the sphere of agriculture;
   
   (e) the adoption of a common policy in the sphere of transport;
   
   (f) the establishment of a system ensuring that competition in the Common Market is not distorted;
   
   (g) the application of procedures by which the economic policies of Member States can be co-ordinated and disequilibria in their balances of payments can be remedied;
(h) the approximation of the laws of Member States to the extent required for proper functioning of the Common Market;
(i) the creation of a European Social Fund in order to improve the possibilities of employment for workers and to contribute to the raising of their standard of living;
(j) the establishment of a European Investment Bank to facilitate the economic expansion of the Community by opening up fresh resources; and
(k) the association of overseas countries and territories with a view to increasing trade and to promoting jointly economic and social development.

Many of these goals are hard to reconcile with national intellectual property rights. But Article 222 expressly excluded the Treaty of Rome from the area of national laws governing property ownership, so there was little that the Community could do about these matters.

While we are still considering the basic provisions of the treaty, mention should also be made of Article 7, which prohibits discrimination.

Within the provisions of this treaty, and without prejudice to any special provisions contained therein, any discrimination on grounds of nationality shall be prohibited ...

This has, in recent times, been highly influential in the intellectual property field. We shall return to this aspect later.

THE RULES OF COMPETITION

The earliest attempts to control national intellectual property rights, and to make them subservient to the goal of the Common Market, were made under the competition rules and specifically Article 85 EC (Article 86 came into play later).

Article 85 and licensing agreements

Article 85 deals with restrictive agreements, prohibiting them and making them void subject to the possibility of exemption for agreements that nevertheless secure benefits for the consumer which could not be secured without the restrictions:

85(1) The following practices shall be prohibited as incompatible with the Common Market: all agreements between undertakings, all decisions by associations of undertakings and all concerted practices, which may affect trade between Member States and the object or effect of which is to prevent, restrict or distort competition within the Common Market, and in particular those which amount to:
(a) the direct or indirect fixing of purchase or selling prices or of any other trading conditions;
(b) the limiting or controlling of production, markets, technical development or capital investment;
(c) the sharing of markets or sources of supply;
(d) applying, in relation to customers in the trade, unequal conditions in respect of equivalent transactions, placing them thereby at a competitive disadvantage;
(e) making the conclusion of contracts subject to acceptance by the other parties of supplementary obligations, which, by their nature or according to commercial practice, have no connection with the subject of such contracts.

(2) Any agreements or decisions prohibited pursuant to this article shall automatically be null and void.

(3) The provisions of paragraph 1 may, however, be declared inapplicable in the case of:

any agreement or category of agreements between undertakings;
any decision or category of decisions of associations of undertakings;
and any concerted practice or category of concerted practices,
which contribute to improve the production or distribution of goods or to promote technical or economic progress, whilst allowing consumers a fair share of the resulting benefit and which does not:
(a) impose on the undertakings concerned restrictions which are not indispensable to the achievement of the above objectives;
(b) afford such undertakings the possibility of eliminating competition in respect of a substantial part of the products in question.

Article 85 was used against restraints involving intellectual property rights in the early days of the Community: later the rules on free movement came to assume a greater importance, and more recently still Article 86 has been deployed. In *Consten and Grundig* [1966] ECR 299, [1966] CMLR 418 Grundig appointed Consten as its exclusive distributor in France. To support this grant of exclusive rights, Grundig labelled its products with the mark ‘Gint’ as well as with its own name, and it agreed that Consten would apply to register the ‘Gint’ mark in France. On termination of the distributorship Consten agreed that the mark would be assigned to Grundig. A parallel importer began importing Grundig products into France from elsewhere in the EEC and was sued for unfair competition and trademark infringement by Consten.

The EC Commission decided that the exclusive distributorship agreement was void and refused to grant exemption under Article 85(3). It also enjoined Consten from using its trademark right to obstruct parallel imports from another EC country. The ECJ upheld the Commission’s decision.
Consten’s right under the contract to the exclusive use in France of the GINT trademark, which may be used in a similar manner in other countries, is intended to make it possible to keep under surveillance and to place an obstacle in the way of parallel imports. Thus, the agreement by which Grundig, as the holder of the trademark by virtue of an international registration, authorised Consten to register it in France in its own name tends to restrict competition.

Although Consten is, by virtue of the registration of the GINT trademark, regarded under French law as the original holder of the rights relating to that trademark, the fact nevertheless remains that it was by virtue of an agreement with Grundig that it was able to effect the registration.

That agreement therefore is one which may be caught by the prohibition in Article 85(1). The prohibition would be ineffective if Consten could continue to use the trademark to achieve the same object as that pursued by the agreement which has been held to be unlawful.

Articles 36, 222 and 234 of the treaty relied upon by the applicants do not exclude any influence whatever of Community law on the exercise of national industrial property rights.

Article 36, which limits the scope of the rules on the liberalisation of trade contained in Title 1, Chapter 2, of the treaty, cannot limit the field of application of Article 85. Article 222 confines itself to stating that the ‘treaty shall in no way prejudice the rules in Member States governing the system of property ownership’. The injunction contained in Article 3 of the operative part of the contested decision to refrain from using rights under national trademark law in order to set an obstacle in the way of parallel imports does not affect the grant of those rights but only limits their exercise to the extent necessary to give effect to the prohibition under Article 85(1). The power of the Commission to issue such an injunction for which provision is made in Article 3 of Regulation No 17/62 of the Council is in harmony with the nature of the Community rules on competition which have immediate effect and are directly binding on individuals.

Such a body of rules, by reason of its nature described above and its function, does not allow the improper use of rights under any national trademark law in order to frustrate the Community’s law on cartels.

A licence which gives the licensee the right to do something which formerly they could not might appear to raise no competition issues under Article 85. This is the ‘rule of reason’ approach in EC competition law, and was applied in Nungesser and Eisele v Commission, the Maize Seed case [1982] ECR 2015, [1983] 1 CMLR 278. Indeed, the European Court of Justice held there that exclusive rights for a national territory within the Community could be granted without infringing Article 85, because without such protection no licensee would be prepared to take on the risk of investing in an unknown product. But attempts to partition the Common Market, by hindering parallel imports, would not be permitted.
... The first case concerns a so-called open exclusive licence or assignment and the exclusivity of the licence relates solely to the contractual relationship between the owner of the right and the licensee, whereby the owner merely undertakes not to grant other licences in respect of the same territory and not to compete himself with the licensee on that territory. On the other hand, the second case involves an exclusive licence or assignment with absolute territorial protection, under which the parties to the contract propose, as regards the products and the territory in question, to eliminate all competition from third parties, such as parallel importers or licensees for other territories.

An exclusive licence which forms the subject-matter of the contested decision concerns the cultivation and marketing of hybrid maize seeds which were developed by INRA after years of research and experimentation and were unknown to German farmers at the time when the co-operation between INRA and the applicants was taking shape. For that reason the concern shown by the interveners as regards the protection of new technology is justified.

In fact in the case of a licence of breeders’ rights over hybrid maize seeds so developed in one Member State, an undertaking established in another Member State which was not certain that it would not encounter competition from other licensees for the territory granted to it, or from the owner of the right himself, might be deterred from accepting the risk of cultivating and marketing that product; such a result would be damaging to the dissemination of a new technology and would prejudice competition in the Community between the new product and similar existing products.

Having regard to the specific nature of the products in question, the court concludes that, in a case such as the present, the grant of an open exclusive licence, that is to say a licence which does not affect the position of third parties, such as parallel importers and licensees for other territories, is not in fact incompatible with Article 85(1) of the Treaty.

As regard to the position of third parties, the Commission in essence criticises the parties to the contract for having extended the definition of exclusivity to importers who are not bound to the contract, in particular parallel importers. Parallel importers or exporters, such as Louis David ICG in Germany and Robert Bomberault in France, who offered INRA seed for sale to German buyers, had found themselves subjected to pressure and legal proceedings by INRA, Frasema and the applicants, the purpose of which was to maintain the exclusive position of the applicants on the German market.

The court has consistently held (cf joined Cases 56 and 58/64 Consten and Grundig v Commission [1966] ECR 299) that absolute territorial protection granted to a licensee in order to enable parallel imports to be controlled and prevented results in the artificial maintenance of separate national markets, contrary to the treaty.

[in the view of the Caisse de Gestion des Licences Vegetales], the territorial protection enjoyed by the licensee in the present case was rather a relative protection on account of the presence on the market of numerous varieties.
of maize seed which could be substituted for INRA varieties and which could thus enter into direct competition with those varieties.

75 The Commission rightly stated in reply that that view ... concerns the problem of the demarcation of the market; that is a problem which arises when the Commission has to examine whether an agreement affords ‘the possibility of eliminating competition in respect of a substantial part of the products in question’ (Article 85(3)(b)) but which is not relevant to the question whether an agreement is capable of improving the production or distribution of goods.

76 It must be remembered that under the terms of Article 85(3) of the Treaty an exemption from the prohibition contained in Article 85(1) may be granted in the case of any agreement between undertakings which contributes to improving the production or distribution of goods or to promoting technical progress, and which does not impose on the undertakings concerned restrictions which are not indispensable to the attainment of those objectives.

77 It was a question of seeds intended to be used by a large number of farmers in the production of maize, which is an important product for human and animal foodstuffs, absolute territorial protection manifestly goes beyond what is indispensable for the improvement of production or distribution or the promotion of technical progress, as is demonstrated in particular in the present case by the prohibition, agreed to by both parties to the agreement, of any parallel imports of INRA maize seeds into Germany even if those seeds were bred by INRA itself and marketed in France.

78 It follows that the absolute territorial protection conferred on the licensee, as established to exist by the contested decision, constituted a sufficient reason for refusing to grant an exemption under Article 85(3) of the Treaty. It is therefore no longer necessary to examine the other grounds set out in the decision for refusing to grant such an exemption.

However, additional ancillary restrictions might bring the agreement within Article 85. In Case 193/83, *Windsurfing International v Commission* [1986] ECR 611 clauses governing quality control and other matters were caught by Article 85(1). Exemption under Article 85(3) was unavailable because the agreement had not been notified, although the Commission doubted that it would have been given anyway.

The technology transfer block exemption (Commission Regulation (EC) No 240/96 OJ No L 31/2, 9 February 1996) sets out the terms on which exclusive licensing agreements can be automatically exempted from the prohibition of Article 85. Provided that the agreement meets the requirements of the regulation, it need not be notified to the Commission. The regulation replaced earlier regulations that exempted patent licensing agreements (Regulation 2349/84) and know-how licensing agreements (Regulation 556/89). The patent licensing block exemption had expired, but the know-how regulation still had several years to run: the Commission wanted to take the opportunity to merge them.

48
Article 1

1. Pursuant to Article 85(3) of the Treaty and subject to the conditions set out below, it is hereby declared that Article 85(1) of the Treaty shall not apply to pure patent licensing or know-how licensing agreements and to mixed patent and know-how licensing agreements, including those agreements containing ancillary provisions relating to intellectual property rights other than patents to which only two undertakings are party and which include one or more of the following obligations:

(1) an obligation on the licensor not to license other undertakings to exploit the licensed technology in the licensed territory;

(2) an obligation on the licensor not to exploit the licensed technology in the licensed territory himself;

(3) an obligation on the licensee not to exploit the licensed technology in the territory of the licensor within the Common Market;

(4) an obligation on the licensee not to manufacture or use the licensed product, or use the licensed process, in territories within the Common Market which are licensed to other licensees;

(5) an obligation on the licensee not to pursue an active policy of putting the licensed product on the market in the territories within the Common Market which are licensed to other licensees, and in particular not to engage in advertising specifically aimed at those territories or to establish any branch or maintain any distribution depot there;

(6) an obligation on the licensee not to put the licensed product on the market in the territories licensed to other licensees within the Common Market in response to unsolicited orders;

(7) an obligation on the licensee to use only the licensor’s trademark or get up to distinguish the licensed product during the term of the agreement, provided that the licensee is not prevented from identifying himself as the manufacturer of the licensed products;

(8) an obligation on the licensee to limit his production of the licensed product to the quantities he requires in manufacturing his own products and to sell the licensed product only as an integral part of or a replacement part for his own products or otherwise in connection with the sale of his own products, provided that such quantities are freely determined by the licensee.

2. Where the agreement is a pure patent licensing agreement, the exemption of the obligations referred to in paragraph 1 is granted only to the extent that and for as long as the licensed product is protected by parallel patents, in the territories respectively of the licensee (points 1, 2, 7 and 8), the licensor (point 3) and other licensees (points 4 and 5). The exemption of the obligation referred to in point 6 of paragraph 1 is granted for a period not exceeding five years from the date when the licensed product is first put on the market within the Common Market by one of the licensees, to the extent that and for as long as, in these territories, this product is protected by parallel patents.
3. Where the agreement is a pure know-how licensing agreement, the period for which the exemption of the obligations referred to in points 1–5 of paragraph 1 is granted may not exceed 10 years from the date when the licensed product is first put on the market within the Common Market by one of the licensees.

The exemption of the obligation referred to in point 6 of paragraph 1 is granted for a period not exceeding five years from the date when the licensed product is first put on the market within the Common Market by one of the licensees.

The obligations referred to in points 7 and 8 of paragraph 1 are exempted during the lifetime of the agreement for as long as the know-how remains secret and substantial.

However, the exemption in paragraph 1 shall apply only where the parties have identified in any appropriate form the initial know-how and any subsequent improvements to it which become available to one party and are communicated to the other party pursuant to the terms of the agreement and to the purpose thereof, and only for as long as the know-how remains secret and substantial.

4. Where the agreement is a mixed patent and know-how licensing agreement, the exemption of the obligations referred to in points 1–5 of paragraph 1 shall apply in Member States in which the licensed technology is protected by necessary patents for as long as the licensed product is protected in those Member States by such patents if the duration of such protection exceeds the periods specified in paragraph 3.

The duration of the exemption provided in point 6 of paragraph 1 may not exceed the five-year period provided for in paragraphs 2 and 3.

However, such agreements qualify for the exemption referred to in paragraph 1 only for as long as the patents remain in force or to the extent that the know-how is identified and for as long as it remains secret and substantial whichever period is the longer.

5. The exemption provided for in paragraph 1 shall also apply where in a particular agreement the parties undertake obligations of the types referred to in that paragraph but with a more limited scope than is permitted by that paragraph.

Article 2

1. Article 1 shall apply notwithstanding the presence in particular of any of the following clauses, which are generally not restrictive of competition:

   (1) an obligation on the licensee not to divulge the know-how communicated by the licensor; the licensee may be held to this obligation after the agreement has expired;
   
   (2) an obligation on the licensee not to grant sublicences or assign the licence;
   
   (3) an obligation on the licensee not to exploit the licensed know-how or patents after termination of the agreement in so far and as long as the know-how is still secret or the patents are still in force;
(4) an obligation on the licensee to grant to the licensor a licence in respect of his own improvements to or his new applications of the licensed technology, provided:

- that, in the case of severable improvements, such a licence is not exclusive, so that the licensee is free to use his own improvements or to license them to third parties, in so far as that does not involve disclosure of the know-how communicated by the licensor that is still secret,
- and that the licensor undertakes to grant an exclusive or non-exclusive licence of his own improvements to the licensee;

(5) an obligation on the licensee to observe minimum quality specifications, including technical specifications, for the licensed product or to procure goods or services from the licensor or from an undertaking designated by the licensor, in so far as these quality specifications, products or services are necessary for:

(a) a technically proper exploitation of the licensed technology; or
(b) ensuring that the product of the licensee conforms to the minimum quality specifications that are applicable to the licensor and other licensees; and to allow the licensor to carry out related checks;

(6) obligations:

(a) to inform the licensor of misappropriation of the know-how or of infringements of the licensed patents; or
(b) to take or to assist the licensor in taking legal action against such misappropriation or infringements;

(7) an obligation on the licensee to continue paying the royalties:

(a) until the end of the agreement in the amounts, for the periods and according to the methods freely determined by the parties, in the event of the know-how becoming publicly known other than by action of the licensor, without prejudice to the payment of any additional damages in the event of the know-how becoming publicly known by the action of the licensee in breach of the agreement;
(b) over a period going beyond the duration of the licensed patents, in order to facilitate payment;

(8) an obligation on the licensee to restrict his exploitation of the licensed technology to one or more technical fields of application covered by the licensed technology or to one or more product markets;

(9) an obligation on the licensee to pay a minimum royalty or to produce a minimum quantity of the licensed product or to carry out a minimum number of operations exploiting the licensed technology;

(10) an obligation on the licensor to grant the licensee any more favourable terms that the licensor may grant to another undertaking after the agreement is entered into;

(11) an obligation on the licensee to mark the licensed product with an indication of the licensor’s name or of the licensed patent;
(12) an obligation on the licensee not to use the licensor’s technology to construct facilities for third parties; this is without prejudice to the right of the licensee to increase the capacity of his facilities or to set up additional facilities for his own use on normal commercial terms, including the payment of additional royalties;

(13) an obligation on the licensee to supply only a limited quantity of the licensed product to a particular customer, where the licence was granted so that the customer might have a second source of supply inside the licensed territory; this provision shall also apply where the customer is the licensee, and the licence which was granted in order to provide a second source of supply provides that the customer is himself to manufacture the licensed products or to have them manufactured by a subcontractor;

(14) a reservation by the licensor of the right to exercise the rights conferred by a patent to oppose the exploitation of the technology by the licensee outside the licensed territory;

(15) a reservation by the licensor of the right to terminate the agreement if the licensee contests the secret or substantial nature of the licensed know-how or challenges the validity of licensed patents within the Common Market belonging to the licensor or undertakings connected with him;

(16) a reservation by the licensor of the right to terminate the licence agreement of a patent if the licensee raises the claim that such a patent is not necessary;

(17) an obligation on the licensee to use his best endeavours to manufacture and market the licensed product;

(18) a reservation by the licensor of the right to terminate the exclusivity granted to the licensee and to stop licensing improvements to him when the licensee enters into competition within the Common Market with the licensor, with undertakings connected with the licensor or with other undertakings in respect of research and development, production, use or distribution of competing products, and to require the licensee to prove that the licensed know-how is not being used for the production of products and the provision of services other than those licensed.

2. In the event that, because of particular circumstances, the clauses referred to in paragraph 1 fall within the scope of Article 85(1), they shall also be exempted even if they are not accompanied by any of the obligations exempted by Article 1.

3. The exemption in paragraph 2 shall also apply where an agreement contains clauses of the types referred to in paragraph 1 but with a more limited scope than is permitted by that paragraph.
Article 3
Article 1 and Article 2(2) shall not apply where:

(1) one party is restricted in the determination of prices, components of prices or discounts for the licensed products;

(2) one party is restricted from competing within the Common Market with the other party, with undertakings connected with the other party or with other undertakings in respect of research and development, production, use or distribution of competing products without prejudice to the provisions of Article 2(1)(17) and (18);

(3) one or both of the parties are required without any objectively justified reason:
   (a) to refuse to meet orders from users or resellers in their respective territories who would market products in other territories within the Common Market;
   (b) to make it difficult for users or resellers to obtain the products from other resellers within the Common Market, and in particular to exercise intellectual property rights or take measures so as to prevent users or resellers from obtaining outside, or from putting on the market in the licensed territory products which have been lawfully put on the market within the Common Market by the licensor or with his consent; or do so as a result of a concerted practice between them;

(4) the parties were already competing manufacturers before the grant of the licence and one of them is restricted, within the same technical field of use or within the same product market, as to the customers he may serve, in particular by being prohibited from supplying certain classes of user, employing certain forms of distribution or, with the aim of sharing customers, using certain types of packaging for the products, save as provided in Article 1(1)(7) and Article 2(1)(13);

(5) the quantity of the licensed products one party may manufacture or sell or the number of operations exploiting the licensed technology he may carry out are subject to limitations, save as provided in Article 1(1)(8) and Article 2(1)(13);

(6) the licensee is obliged to assign in whole or in part to the licensor rights to improvements to or new applications of the licensed technology;

(7) the licensor is required, albeit in separate agreements or through automatic prolongation of the initial duration of the agreement by the inclusion of any new improvements, for a period exceeding that referred to in Article 1(2) and (3), not to license other undertakings to exploit the licensed technology in the licensed territory, or a party is required for a period exceeding that referred to in Article 1(2) and (3) or Article 1(4) not to exploit the licensed technology in the territory of the other party or of other licensees.

The Commission sought to include market share criteria in the new regulation. This met with strong opposition from industry, and eventually the regulation included only a provision making it plain that the Commission
could withdraw exemption if the parties’ market shares were too great, which in fact the Commission has the power to do anyway (see the author’s article in (1996) 18 SLR 44).

**Article 86**

The owner of intellectual property rights has to beware of Article 86. Since intellectual property rights are concerned with granting monopolies, they can easily put (or help put) their owner in a dominant position which must not be abused.

It shall be incompatible with the Common Market and prohibited, in so far as trade between Member States is liable to be affected by it, for one or more undertakings to exploit in an improper manner a dominant position within the Common Market or within a substantial part of it. Such improper practices, may, in particular, consist in:

(a) the direct or indirect imposition of unfair purchase or selling prices or of other unfair trading conditions;

(b) the limitation of production, markets or technical development to the prejudice of consumers;

(c) applying in relation to like parties unequal conditions in respect of like transactions, placing them thereby at a competitive disadvantage;

(d) making the conclusion of contracts subject to agreement by the other parties to make additional payments, which, by their nature or according to commercial practice, have no connection with the subject of such contracts.

In Case 395/87 **Ministère Public v Tournier** [1989] ECR 1425 the French national copyright management society was accused of charging excessively high and arbitrary rates to discotheques which wanted to use the recordings in which it owned copyright. The court agreed that this was possible and suggested that a comparison of rates in other Member States might show that there was an abuse. However, the point was also made that the differences might turn out to have objectively valid reasons.

In Case 238/87 **Volvo AB v Veng Erik (UK) Ltd** [1988] ECR 6211 the right owners refused to licence third parties to manufacture replacement panels for motor cars the designs for which were protected in the UK by registration. The court held that the right to decide whether to grant licences was part of the ‘substance of the exclusive right’ granted by the legislation and there was no abuse. However, the court observed that there could be an abuse if, for example, the right owner refused to supply independent repairers, charged excessively high prices or stopped supplying parts for which there was still demand.

7 It must first be observed, as the court held in its judgment of 14 September 1982 (in Case 144/81, **Keurkoop v Nancy Kean Gifts** (1982) ECR 2853) with
respect to the protection of designs and models, that, as Community law stands at present and in the absence of Community standardisation or harmonisation of laws, the determination of the conditions and procedures under which protection of designs and models is granted is a matter for national rules. It is thus for the national legislatures to determine which products are to benefit from protection, even where they form part of a unit which is already protected as such.

8 It must also be emphasised that the right of the proprietor of a protected design to prevent third parties from manufacturing and selling or importing, without its consent, products incorporating the design, constitutes the very subject-matter of his exclusive right. It follows that an obligation imposed upon the proprietor of a protected design to grant to third parties, even in return for a reasonable royalty, a licence for the supply of products incorporating the design, would lead to the proprietor thereof being deprived of the substance of his exclusive right, and that a refusal to grant such a licence cannot in itself constitute an abuse of a dominant position.

9 It must however be noted that the exercise of an exclusive right by the proprietor of a registered design in respect of car body panels may be prohibited by Article 86 if it involves, on the part of an undertaking holding a dominant position, certain abusive conduct such as the arbitrary refusal to supply spare parts to independent repairers, the fixing of prices for spare parts at an unfair level or a decision no longer to produce spare parts for a particular model even though many cars of that model are still in circulation, provided that such conduct is liable to affect trade between Member States.

10 In the present case no instance of any such conduct has been mentioned by the national court.

In Joined Cases C-241–242/91, RTE and Independent Television Publications v Commission [1995] 4 CMLR 18 – the Magill case – the ECJ held that it was an abuse of a dominant position for the television companies to refuse to supply listings information to publishers, except on very limited terms. The market that the publisher (Magill) sought to serve was one that the broadcasters themselves did not wish to enter. In a decision which has a significant effect on the exercise of intellectual property rights the court sought to realise the consumer benefit that would flow from the production of a single guide.

24 So far as the existence of a dominant position is concerned, the Court of First Instance held that ‘ITP enjoyed as a consequence of its copyright in ITV and Channel 4 programme listings, which had been transferred to it by the television companies broadcasting on those channels, the exclusive right to reproduce and market those listings. It was thus able, at the material time, to secure a monopoly over the publication of its weekly listings in the TV Times, a magazine specialising in the programmes of ITV and Channel 4.’ Consequently, in the opinion of the Court of First Instance, ‘the applicant clearly held at that time a dominant position both on the
market represented by its weekly listings and on the market for the magazines in which they were published in Ireland and Northern Ireland. Third parties such as Magill who wished to publish a general television magazine were in a situation of economic dependence on the applicant, which was thus in a position to hinder the emergence of any effective competition on the market for information on its weekly programmes’ (ITP judgment, paragraph 49). With regard to RTE, the Court of First Instance reached the same conclusion in nearly identical terms (RTE judgment, paragraph 63).

So far as the existence of an abuse of that dominant position was concerned, the Court of First Instance considered that it was necessary to interpret Article 86 in the light of copyright in programme listings. It pointed out that, in the absence of harmonisation of national rules or Community standardisation, determination of the conditions and procedures under which copyright was protected was a matter for national rules (ITP judgment, paragraphs 50 and 51). The relationship between national intellectual property rights and the general rules of Community law was governed expressly by Article 36 of the EEC Treaty, which provided for the possibility of derogating from the rules relating to the free movement of goods on grounds of the protection of industrial or commercial property, subject to the conditions set out in the second sentence of Article 36. Article 36 thus emphasised that the reconciliation between the requirements of the free movement of goods and the respect to which intellectual property rights were entitled had to be achieved in such a way as to protect the legitimate exercise of such rights, which alone was justified within the meaning of that article, and to preclude any improper exercise thereof likely to create artificial partitions within the market or pervert the rules governing competition within the Community. The Court of First Instance took the view that the exercise of intellectual property rights conferred by national legislation had consequently to be restricted as far as was necessary for that reconciliation (ITP judgment, paragraph 52).

The Court of First Instance found, in the light of the case law of the Court of Justice, that it followed from Article 36 of the Treaty that only those restrictions on freedom of competition, free movement of goods or freedom to provide services which were inherent in the protection of the actual substance of the intellectual property right were permitted in Community law. It based its view in particular on the judgment of the Court of Justice in Case 78/70 Deutsche Grammophon v Metro [1971] ECR 487, paragraph 11, in which the Court of Justice held that, although it permitted prohibitions or restrictions on the free movement of products which were justified for the purpose of protecting industrial and commercial property, Article 36 only admitted derogations from that freedom to the extent to which they were justified for the purpose of safeguarding rights which constituted the specific subject-matter of such property (ITP judgment, paragraph 54).
27 The Court of First Instance then observed that in principle the protection of the specific subject-matter of a copyright entitled the copyright-holder to reserve the exclusive right to reproduce the protected work (ITP judgment, paragraph 55).

28 However, the Court of First Instance took the view that while it was plain that the exercise of the exclusive right to reproduce a protected work was not in itself an abuse, that did not apply when, in the light of the details of each individual case, it was apparent that that right was being exercised in such way and circumstances as in fact to pursue an aim manifestly contrary to the objectives of Article 86. In that event, the Court of First Instance continued, the copyright was no longer being exercised in a manner which corresponded to its essential function, within the meaning of Article 36 of the Treaty, which was to protect the moral rights in the work and ensure a reward for the creative effort, while respecting the aims of, in particular, Article 86. From this the Court of First Instance concluded that the primacy of Community law, particularly as regards principles as fundamental as those of the free movement of goods and freedom of competition, prevailed over any use of a rule of national intellectual property law in a manner contrary to those principles (ITP judgment, paragraph 56).

29 In the present case, the Court of First Instance noted that the applicants, by reserving the exclusive right to publish their weekly television programme listings, were preventing the emergence on the market of a new product, namely a general television magazine likely to compete with their own magazines. The applicants were thus using their copyright in the programme listings produced as part of the activity of broadcasting in order to secure a monopoly in the derivative market of weekly television guides in Ireland and Northern Ireland. The Court of First Instance also regarded it as significant in that regard that the applicants had authorised, free of charge, the publication of their daily listings and highlights of their weekly programmes in the press in both Ireland and the UK.

30 The Court of First Instance accordingly took the view that conduct of that type characterised by preventing the production and marketing of a new product, for which there was potential consumer demand, on the ancillary market of weekly television guides – and thereby excluding all competition from that market solely in order to secure the applicants’ respective monopolies – clearly went beyond what was necessary to fulfil the essential function of the copyright as permitted in Community law. The applicants’ refusal to authorise third parties to publish their weekly listings was, in this case, the Court of First Instance ruled, arbitrary in so far as it was not justified by the requirements peculiar to the activity of publishing television magazines. It was thus possible for the applicants to adapt to the conditions of a television magazine market which was open to competition in order to ensure the commercial viability of their weekly publications. The applicants’ conduct could not, in those circumstances, be covered in Community law by the protection conferred by their copyright in the programme listings (ITP judgment, paragraph 58).
In the light of the foregoing considerations, the Court of First Instance found that, although the programme listings were at the material time protected by copyright as laid down by national law, which still determined the rules governing that protection, the conduct at issue could not qualify for such protection within the framework of the necessary reconciliation between intellectual property rights and the fundamental principles of the treaty concerning the free movement of goods and freedom of competition. The aim of that conduct was clearly incompatible with the objectives of Article 86 (ITP judgment, paragraph 60).

32 The Court of First Instance accordingly dismissed the plea in law based on breach of Article 86.

33 RTE, supported by IPO, relies on the judgment in Case 238/87 Volvo v Veng [1983] ECR 6211 in arguing that the exercise by an owner of intellectual property rights of his exclusive rights, in particular his refusal to grant a licence, cannot in itself be regarded as an abuse of a dominant position.

34 According to RTE, ITP and IPO, one of the essential rights of the owner of a copyright, without which that right would be deprived of its substance, is the exclusive right of reproduction. That right, which has not been placed in question by the treaty rules, entitles its holder to be rewarded by the exclusive sale of the products incorporating the protected work and to prevent competition by a third party in respect of those products.

35 ITP denies that the exercise of the exclusive right of reproduction is itself an abuse where it is in pursuit of an aim manifestly contrary to the objectives of Article 86 (ITP judgment, paragraph 56) since copyright owners ordinarily and naturally exercise their copyright in order to restrict competition with their own product by other products made using their copyright material even on a derived market. That, it continues, is the essence of copyright.

36 IPO considers that copyright is by nature beneficial for competition, pointing out that it attributes inclusive proprietorial rights only to a particular expression of an idea or concept, not to the concept or idea itself.

37 RTE and IPO point out that, in the absence of Community harmonisation, the scope of national copyright laws can be defined only by the legislature of each Member State. The definition of that scope cannot be altered by a measure adopted in implementation of Article 86 but only by specific Community legislation.

38 Moreover, according to RTE, the right of first marketing has been considered in the case law of the Court of Justice as the specific subject-matter of all industrial property rights.

39 RTE contends that the owner of an intellectual property right is under no obligation to offer justification for his refusal to grant a licence, contrary to the view taken by the Court of First Instance. ITP adds that this view of the Court of First Instance is not supported by the case law of the Court of Justice and that, due to the, imprecision of the criteria used, it undermines legal certainty for copyright owners.
According to RTE and IPO, a refusal, by the owner of a right, to grant a licence, forms part of the specific subject-matter of his exclusive right. RTE considers that this would constitute an abuse only in very particular circumstances and IPO adds that the use of an intellectual property right is justified if it is within the scope of the specific subject-matter of the right in question.

IPO and RTE criticise the approach, adopted by the Court of First Instance and the Commission in this case, of seeing copyright as a mere combination of the right of attribution of authorship and the right to compensation for exploitation. IPO claims that this is in marked contrast not only to the laws of the various Member States but also to the Berne Convention and would represent a significant diminution of the protection afforded by copyright. ITP adds that this view overlooks the right of exclusive reproduction and distinguishes between the protection of moral rights and the protection of commercial rights with the result that assignees of the creator – such as ITP – cannot avail themselves of moral rights, which are inalienable, and will therefore be unable to exercise the right of exclusive reproduction.

RTE submits that consumer demand cannot justify application of Article 86 to the present cases and that it is for the national legislature alone to remedy such a situation, as has been done in the UK. ITP adds that it is ordinarily the case that a copyright owner who sells his own product made from his copyright material deprives consumers of the opportunity of obtaining it elsewhere.

Next, according to IPO, there is no presumption that the holder of an intellectual property right is in a dominant position within the meaning of Article 86 (judgments in Case 40/70 Sirena v EDA and Others [1971] ECR 69 and Case 78/70 Deutsche Grammaphon, cited above). Relying in particular on the judgment in Case 322/81 Michelin v Commission [1983] ECR 3461, IPO takes the view that a dominant position presupposes a position of economic strength and for that reason it calls in question the analysis of the Court of First Instance that the appellants were dominant merely because they held copyrights without reference to any analysis whatever of economic power in the marketplace.

IFO also criticises the Commission for having failed to apply the criterion of dominant position based on economic power and having taken the view that the appellants and the BBC held a factual monopoly. In doing so, the Commission takes the view that a factual monopoly is likely to arise wherever there exists a primary market and a secondary market and a third party wishes to avail itself of the products or services on the primary market in order to carry on business on the secondary market. According to IPO, the Commission considers that such a situation will result in a position of economic dependence which is characteristic of the existence of a dominant position.

IPO criticises this conception in so far as it artificially links economic dependence with the intention of a third party who would always have the possibility of undertaking some other economic venture. For IPO, the
concept of ‘factual monopoly’ appears to be an artificial construct whereby the Commission seeks to justify the use of competition law in order to change the specific subject-matter of copyright.

(a) Existence of a dominant position

46 So far as dominant position is concerned, it is to be remembered at the outset that mere ownership of an intellectual property right cannot confer such a position.

47 However, the basic information as to the channel, day, time and title of programmes is the necessary result of programming by television stations, which are thus the only source of such information for an undertaking, like Magill, which wishes to publish it together with commentaries or pictures. By force of circumstances RTE and ITP, as the agent of ITV, enjoy, along with the BBC a de facto monopoly over the information used to compile listings for the television programmes received in most households in Ireland and 30% to 40% of households in Northern Ireland. The appellants are thus in a position to prevent effective competition on the market in weekly television magazines. The Court of First Instance was therefore right in confirming the Commission’s assessment that the appellants occupied a dominant position (see the judgment in Case 322/81 Michelin, cited above, paragraph 30).

(b) Existence of abuse

48 With regard to the issue of abuse, the arguments of the appellants and IPO wrongly presuppose that where the conduct of an undertaking in a dominant position consists of the exercise of a right classified by national law as ‘copyright’, such conduct can never be reviewed in relation to Article 86 of the Treaty.

49 Admittedly, in the absence of Community standardisation or harmonisation of laws, determination of the conditions and procedures for granting protection of an intellectual property right is a matter for national rules. Further, the exclusive right of reproduction forms part of the author’s rights, so that refusal to grant a licence, even if it is the act of an undertaking holding a dominant position, cannot in itself constitute abuse of a dominant position (judgment in Case 238/87 Volvo, cited above, paragraphs 7 and 8).

50 However, it is also clear from that judgment (paragraph 9) that the exercise of an exclusive right by the proprietor may, in exceptional circumstances, involve abusive conduct.

51 In the present case, the conduct objected to is the appellants’ reliance on copyright conferred by national legislation so as to prevent Magill – or any other undertaking having the same intention – from publishing on a weekly basis information (channel, day, time and title of programmes) together with commentaries and pictures obtained independently of the appellants.

52 Among the circumstances taken into account by the Court of First Instance in concluding that such conduct was abusive was, first, the fact that there
was, according to the findings of the Court of First Instance, no actual or potential substitute for a weekly television guide offering information on the programmes for the week ahead. On this point, the Court of First Instance confirmed the Commission’s finding that the complete lists of programmes for a 24-hour period – and for a 48-hour period at weekends and before public holidays – published in certain daily and Sunday newspapers, and the television sections of certain magazines covering, in addition, ‘highlights’ of the week’s programmes, were only to a limited extent substitutable for advance information to viewers on all the week’s programmes. Only weekly television guides containing comprehensive listings for the week ahead would enable users to decide in advance which programmes they wished to follow and arrange their leisure activities for the week accordingly. The Court of First Instance also established that there was a specific, constant and regular potential demand on the part of consumers (see the RTE judgment, paragraph 62, and the ITP judgment, paragraph 48).

Thus the appellants – who were, by force of circumstance, the only sources of the basic information on programme scheduling which is the indispensable raw material for compiling a weekly television guide – gave viewers wishing to obtain information on the choice of programmes for the week ahead no choice but to buy the weekly guides for each station and draw from each of them the information they needed to make comparisons.

The appellants’ refusal to provide basic information by relying on national copyright provisions thus prevented the appearance of a new product, a comprehensive weekly guide to television programmes, which the appellants did not offer and for which there was a potential consumer demand. Such refusal constitutes an abuse under heading (b) of the second paragraph of Article 86 of the Treaty.

Second, there was no justification for such refusal either in the activity of television broadcasting or in that of publishing television magazines (RTE judgment, paragraph 73, and ITP judgment, paragraph 58).

Third, and finally, as the Court of First Instance also held, the appellants, by their conduct, reserved to themselves the secondary market of weekly television guides by excluding all competition on than market (see the judgment in joined Cases 6/73 and 7/73 Commercial Solvents v Commission [1974] ECR 223, paragraph 25) since they denied access to the basic information which is the raw material indispensable for the composition of such a guide.

In the light of all those circumstances, the Court of First Instance did not err in law, in holding that the appellants’ conduct was an abuse of a dominant position within the meaning of Article 86 of the Treaty.

It follows that the plea in law alleging misapplication by the Court of First Instance of the concept of abuse of a dominant position must be dismissed as unfounded. It is therefore unnecessary to examine the reasoning of the contested judgments in so far is it is based on Article 36 of the Treaty.
Effects on trade between Member States (second plea in the appeal in Case C-241/91 P)

59 With regard to the effects on trade between Member States, the Court of First Instance first reviewed the case law of the Court of Justice (paragraph 76 of the RTE judgment) before finding (at paragraph 77) that ‘the appellant’s conduct modified the structure of competition on the market for television guides in Ireland and Northern Ireland and thus affected potential trade flows between Ireland and the UK’.

60 The reasons given by the Court of First Instance for this conclusion were based on the effects of RTE’s refusal to authorise third parties to publish its weekly listings on the structure of competition in the territory of Ireland and Northern Ireland. These, the Court of First Instance found, excluded all potential competition on the market in question, ‘thus in effect maintaining the partitioning of the markets ... [of] Ireland and Northern Ireland respectively’. It found that the appreciable effect which the policy in question had on potential commercial exchanges between Ireland and the UK was evidenced by the specific demand for a general television magazine. The Court of First Instance added that ‘the relevant geographical area, within which a single market in television broadcasting services has already been achieved, likewise represents a single market for information on television programmes, particularly since trade is greatly facilitated by a common language’ (paragraph 77).

61 RTE states that Community competition rules are not intended to remedy situations which are purely internal to a Member State and it disputes the finding of the Court of First Instance that RTE had ‘in effect maintained the partitioning of the markets represented by Ireland and Northern Ireland respectively’. RTE asserts that it has observed one and the same policy in respect of the supply of weekly programme listings and licensing, irrespective of the place of establishment of the undertakings concerned. It denies ever having stopped or hindered the export or import of television guides.

62 RTE also recalls the following facts, which are supported by the findings of the Commission and the Court of First Instance:

• outside Ireland, RTE’s programmes are received only in part of Northern Ireland, which represents less than 1.6% of the UK television market and less than 0.3% of the EEC television market;

• According to the findings of the High Court of Ireland, the RTE signals are received by 30% to 40% of the population of Northern Ireland;

• Sales of RTE’s television guide in the UK are less than 5% of sales in Ireland.

63 RTE adds that it does not have programmes or commercials aimed at or broadcast to Northern Ireland. Its programmes can be received in Northern Ireland only because of ‘overspill’. In Northern Ireland, approximately 100,000 households receive RTE programmes and 5,000 copies of RTE’s television guide are sold.

64 According to RTE, these facts demonstrate the marginal importance of the cross-border sales of weekly guides containing RTE’s programmes.
Moreover, following the new licensing policy applied by RTE, it appears that:

- sales in Ireland of *Radio Times* and *TV Times*, originating in the UK, have decreased;
- sales in Northern Ireland of the *RTE Guide*, originating in Ireland, have not increased; in general the inclusion of RTE’s programme listings in a multichannel guide does not appreciably affect sales figures of such a guide in Northern Ireland;
- no other publishers have availed themselves of the new possibility of publishing comprehensive weekly television guides, including RTE’s programmes, and of selling them across the border.

RTE concludes from this information that its licensing policy, condemned by the Commission decision, has had no effect, or no more than an insignificant effect, on commercial exchanges between Ireland and the UK. In any event, RTE states, the Commission must prove that there is an appreciable effect on trade between Member States (judgment in Case 27/76 *United Brands v Commission* [1978] ECR 207), and that is something which the Court of First Instance failed to take into account. It points out that the Commission’s arguments on this aspect relate only to sales in Great Britain, to ITP and to the BBC.

It is to be noted at the outset that the Court of Justice has consistently held that, pursuant to Article 168a of the Treaty and Article 51 of the Statute of the Court of Justice of the EEC, an appeal may rely only on grounds relating to infringement of rules of law, to the exclusion of any appraisal of the facts (judgment in Case C-53/92 P *Hilti v Commission* [1994] ECR 1–667, paragraph 10). The arguments relied on by RTE must therefore be rejected in so far as they question the appraisal of the facts by the Court of First Instance.

Nevertheless, the condition that trade between Member States must be affected is a question of law and, as such, subject to review by the Court of Justice.

In order to satisfy the condition that trade between Member States must be affected, it is not necessary that the conduct in question should in fact have substantially affected that trade. It is sufficient to establish that the conduct is capable of having such an effect (judgment in Case 322/81 *Michelin v Commission*, cited above, paragraph 104, and in Case C-41/90 *Höfner and Elser v Macrotron* [1991] ECR 1–1979, paragraph 32).

In this case, the Court of First Instance found that the applicant had excluded all potential competitors on the geographical market consisting of one Member State (Ireland) and part of another Member State (Northern Ireland) and had thus modified the structure of competition on that market, thereby affecting potential commercial exchanges between Ireland and the UK. From this the Court of First Instance drew the proper conclusion that the condition that trade between Member States must be affected had been satisfied.
It follows that the plea in law alleging misapplication by the Court of First Instance of the concept of trade between Member States being affected must be dismissed.

The Berne Convention (third plea in the appeal in Case C-241/91 P)

So far as the Berne Convention (‘the convention’) is concerned, RTE had submitted before the Court of First Instance that Article 9(1) thereof conferred an exclusive right of reproduction and that Article 9(2) allowed a signatory State to permit reproduction only in certain special cases, provided that such reproduction did not conflict with normal exploitation of the work and did not unreasonably prejudice the legitimate interests of the author. From this RTE deduced that Article 2 of the contested decision was incompatible with the convention inasmuch as it conflicted with the normal exploitation of RTE’s copyright in the programme listings and seriously prejudiced its legitimate interests (RTE judgment, paragraph 100).

In response to those arguments, the Court of First Instance considered whether the convention was applicable. Its first finding was that the Community was not a party to it. After reviewing Article 234 of the EEC Treaty and the case law of the Court of Justice (RTE judgment, paragraph 102), the Court of First Instance pointed out that ‘in the present case concerning Ireland and the UK ... under Article 5 of the Act of Accession, Article 234 of the EEC Treaty applies to agreements or conventions concluded before ... 1 January 1973.’ From this it deduced that ‘in intra-Community relations, therefore, the provisions of the Berne Convention, ratified by Ireland and the UK before 1 January 1973, cannot affect the provisions of the Treaty ... The argument that Article 2 of the decision is in conflict with Article 9(1) of the Berne Convention must therefore be dismissed, without there even being any need to enquire into its substance.’ With regard to Article 9(2) of the Convention, the Court of First Instance observed that this provision ‘was introduced by the Paris revision of 1971, to which the UK has been a party since 2 January 1990 and which Ireland has not yet ratified.’ The Court of First Instance then pointed out that an agreement or a convention concluded subsequent to accession without recourse to the procedure set out in Article 236 of the EEC Treaty cannot affect a provision of the Treaty (RTE judgment, paragraph 103).

The Court of First Instance accordingly dismissed as unfounded the plea alleging infringement of the Convention (RTE judgment, paragraph 104).

RTE claims that Article 9(2) of the Berne Convention, as revised in Paris in 1971, only allows for exceptions from authors’ exclusive rights of reproduction to be made by legislation, in special cases, and provided that such reproduction does not prejudice the normal exploitation of the work or cause unreasonable prejudice to the legitimate interests of the author.

According to RTE, the convention does not contain a definition of what comes under its protection but excludes only ‘miscellaneous news facts having the character of mere facts or press information’ (Article 2(8)), an exception which must be interpreted restrictively. It is thus for the national
77 RTE submits that the obligation imposed by the Commission’s decision has not been provided for by legislation which is sufficiently clear in its terms to define the circumstances in which, and the conditions on which, reproduction is to be permitted. The decision itself cannot be regarded as ‘legislation’. Application of competition law does not fulfil the conditions of Article 9(2). A copyright holder must be able to know on the basis of explicit legislation whether or not he may be subject to an obligation of compulsory licensing. A provision such as Article 86 of the Treaty, which merely sets out a general obligation and must be made precise and adapted from case to case, does not fulfil the conditions laid down by Article 9(2) of the Convention. Community legislation alone is capable of providing a proper legislative basis.


In the exercise of its powers concerning copyright and neighbouring rights, the Community shall be guided by the principles and act in accordance with the provisions of the Berne Convention ...

The Proposal for a Council Directive on the legal protection of databases, adopted on 29 January 1992, provides a legislative basis for compulsory licensing. RTE observes that in all fields other than competition law, the Community respects the convention.

79 RTE accordingly takes the view, that although the Community itself is not a party to the convention, account must be taken of the rules of that convention within the framework of Community law (judgments in Case
According to RTE, the Community cannot, on the one hand, oblige the Member States to accede to and comply with the Convention and, on the other, adopt measures which do not comply with it.

In conclusion, it contends that examination of the scope of Articles 234 and 236 would be relevant only if a conflict between the obligations arising from the convention and certain provisions of the EEC Treaty had been established.

IPO endorses this opinion and contends that harmonisation of national intellectual property law can be achieved only by legislative means, namely by a Council measure adopted in accordance with the procedure provided for in Article 100a or Article 135 of the EEC Treaty. An individual decision issued by the Commission on the basis of competition law is not the appropriate way to resolve this issue.

It is appropriate to observe at the outset, as the Court of First Instance did, that the Community is not a party to the Convention for the Protection of Literary and Artistic Works.

Next, so far as the UK and Ireland are concerned, it is true that they were already parties to the convention when they acceded to the Community and that Article 234 of the treaty therefore applies to that convention, in accordance with Article 5 of the Act of Accession. It is, however, settled case law that the provisions of an agreement concluded prior to entry into force of the treaty or prior to a Member State’s accession cannot be relied on in intra-Community relations if, as in the present case, the rights of non-Member countries are not involved (see, in particular, the judgment in Case 286/86, Ministère Publique v Deserbais [1988] ECR 4907, paragraph 18).

Finally, the Paris Act, which amended Article 9(1) and (2) of the Convention (the provisions relied on by RTE) was ratified by the UK only after its accession to the Community and has still not been ratified by Ireland.

The Court of First Instance was therefore correct to hold that Article 9 of the Convention cannot be relied on to limit the powers of the Community, as provided for in the EEC Treaty, since the treaty can be amended only in accordance the procedure laid down in Article 236.

It follows that the plea that the Court of First Instance failed to have proper regard to the convention must be dismissed as unfounded.

The powers conferred on the Commission by Article 3 of Regulation No 17 (second plea in the appeal in Case C-242/91 P)

The first limb of ITP’s second plea is that the Court of First Instance misconstrued Article 3 of Regulation 17 in holding that that provision enabled the Commission to impose compulsory licensing conditions approved by it, relating to property rights conferred by the laws of the Member States. Relying on the judgment in Case 144/81 Keurkoop v Nancy
Kean Gifts [1982] ECR 2853, ITP submits that only the Parliaments of Ireland and the UK may take away or replace the copyrights which they have conferred.

89 The second limb alleges infringement of the principle of proportionality in so far as the Court of First Instance held that the Commission’s decision was not contrary to that principle (ITP judgment, paragraphs 78–81). ITP contends that the Court of First Instance should have taken account of a number of considerations: the decision removed not only ITP’s exclusive right of reproduction, but also its right of first marketing, particularly important where, as in this case, the product has a useful life of 10 days; there is no reciprocity between ITP and the competitors (other than the BBC and RTE) to whom it is required to grant licences; many of those competitors, particularly the national newspapers, have turnovers and profits greatly in excess of those of ITP and they also possess valuable copyrights which they protect from reproduction.

90 It is appropriate to observe that Article 3 of Regulation No 17 is to be applied according to the nature of the infringement found and may include an order to do certain acts or things which, unlawfully, have not been done as well as an order to bring an end to certain acts, practices or situations which are contrary to the treaty (judgment in joined Cases 6/73 and 7/73 Commercial Solvents cited above, paragraph 45).

91 In the present case, after finding that the refusal to provide undertakings such as Magill with the basic information contained in television programme listings was an abuse of a dominant position the Commission was entitled under Article 3, in order to ensure that its decision was effective, to require the appellants to provide that information. As the Court of First Instance rightly found, the imposition of that obligation – with the possibility of making authorisation of publication dependent on certain conditions, including payment of royalties – was the only way of bringing the infringement to an end.

92 The Court of First Instance was also entitled to dismiss, on the basis of the same findings of fact, the allegation that the principle of proportionality had been infringed.

93 As the Court of First Instance correctly pointed out, in the context of the application of Article 3 of Regulation No 17, the principle of proportionality means that the burdens imposed on undertakings in order to bring an infringement of competition law to an end must not exceed what is appropriate and necessary to attain the objective sought, namely re-establishment of compliance with the rules infringed (ITP judgment, paragraph 80).

94 In holding, at paragraph 81 of the ITP judgment, that, in the light of the above findings, the order addressed to the applicant was an appropriate and necessary measure to bring the infringement to an end, the Court of First Instance did not commit an error of law.
The reasoning (third plea in the appeal in Case C-242/91 P)

95 In its third plea, ITP claims that the Court of First Instance failed to comply with Article 190 of the EEC Treaty in finding that the decision was adequately reasoned (ITP judgment, paragraphs 64 and 65) when the Commission did no more than state that the exercise of copyright was outside the scope of the specific subject-matter of this right and went on to conclude that an exercise of copyright consisting simply in refusing to grant a reproduction licence was an abuse of a dominant position.

96 According to ITP the crucial question whether a mere refusal to grant a licence could constitute an abuse was dealt with by the Commission in a summary fashion. There was no analysis of the special position occupied by owners of copyright in the context of the application of Article 86. ITP maintains that such an approach fails to meet the requirements laid down in the judgment in Case C-269/90 Hauptzollamt München-Mitte v Technische Universität München [1991] ECR 1–5469. ITP maintains that it still does not know what the Commission meant by describing ITP’s exercise of its copyright as filling the scope of the specific subject-matter of the intellectual property right.

97 ITP claims that the inadequacy of the decision’s reasoning was highlighted by the numerous arguments advanced by the Commission in the course of the proceedings before the Court of First Instance. If the Commission could so act and remain within the law, Article 190 would be rendered nugatory. ITP submits that the Court of First Instance adopted its own legal reasoning which bore no relation to the decision.

98 The Court must observe here that, according to settled case law, Commission decisions intended to find infringements of competition rules, issue directions and impose pecuniary sanctions must state the reasons on which they are based, in accordance with Article 190 of the EEC Treaty, which requires the Commission to set out the reasons which prompted it to adopt a decision, so that the court can exercise its power of review and Member States and nationals concerned know the basis on which the Treaty has been applied (see the judgment in Case C-137/92 P Commission v BASF and Others [1994] ECR 1–2555, paragraph 66).

99 However, the Commission cannot be required to discuss all the matters of fact and law which may have been dealt with during the administrative proceedings (judgment in Case 246/86 Belasco and Others v Commission [1989] ECR 2117, paragraph 55).

100 The Court of First Instance found in particular, at paragraph 64 of the RTP judgment, that ‘as regards the concept of abuse, the Commission clearly stated in the decision its reasons for finding that the applicant, by using its exclusive right to reproduce the listings as the instrument of a policy contrary to the objectives of Article 86, went beyond what was necessary to ensure the protection of the actual substance of its copyright and committed an abuse within the meaning of Article 86’. It accordingly arrived at the view that ‘contrary to the applicant’s allegations, the statement of reasons in the contested decision is ... sufficient to allow interested parties to ascertain the main legal and factual criteria on which
the Commission based its findings and to enable the court to carry out its review. It therefore fulfils the conditions relating to the respect of the right to a fair hearing as they have consistently been defined in the case law.

101 ITP's criticisms fail to show that those assessments of the Court of First Instance are marred by an error of law.

102 It must be added that, in so far as those criticisms concern the inadequacy of the legal analysis of the situation made by the Commission in its decision, they substantially reproduce the arguments put forward to challenge the description of the appellant’s conduct as an abuse of a dominant position, arguments which have already been rejected above in the examination of the first plea in law.

103 The plea of non-compliance with Article 190 of the Treaty must therefore be dismissed.

104 It follows that the appeals must be dismissed in their entirety.

Case T-51/89 Tetra Pak Rausing v Commission [1990] ECR II–309 provides an illustration of the way the extension of economic strength by a dominant company may be an abuse. In a merger, the dominant firm gained an exclusive licence to exploit intellectual property. The Court of First Instance held this to be a violation of Article 86. The fact that the exclusive licence, the benefit of which was acquired, was within the block exemption made no difference: the court was concerned with the anti-competitive implications of the acquisition in the dominated market.

FREE MOVEMENT OF GOODS

Article 30. Quantitative restrictions on imports and all measures having equivalent effect shall, without prejudice to the following provisions, be prohibited between Member States.

Article 36. The provisions of Articles 30–34 shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security; the protection of health and life of humans, animals or plants; the protection of national treasures possessing artistic, historic or archaeological value; or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

The European Court of Justice has developed three fundamental principles which seek to reconcile the competing interests of free movement of goods (Articles 30–36 of the Treaty of Rome) and intellectual property law. These principles have played a central part in the application of these rules to intellectual property and all of them had their origin in the Deutsche Grammophon case.
1. While the Treaty does not affect the existence of intellectual property rights, there are nonetheless circumstances in which the exercise of such rights may be restricted by the prohibitions laid down in the treaty.

2. Article 36 permits exceptions to the free movement of goods only to the extent to which such exceptions are necessary for the purpose of safeguarding the rights that constitute the specific subject-matter of the type of intellectual property in question. Perhaps the main advantage of this formula, apart from the fact that it narrows the scope of the exceptions permitted by Article 36, is that it allows subtle distinctions to be made depending on the type of intellectual property in issue.

3. The exclusive right conferred on the owner of intellectual property is exhausted in relation to the products in question when he puts them into circulation anywhere within the Common Market. Spelt out more fully, ‘the proprietor of an industrial or commercial property right protected by the legislation of a Member State may not rely on that legislation in order to oppose the importation of a product which has lawfully been marketed in another Member State by, or with the consent of, the proprietor of the right himself or person legally or economically dependent on him’.

The expression ‘industrial and commercial property’ clearly embraces patents and trademarks. It also extends to such specialised areas as plant breeders’ rights. The court has held that copyright can also be a form of industrial or commercial property because it ‘includes the protection conferred by copyright, especially when exploited commercially in the form of licences capable of affecting distribution in the various Member States of goods incorporating the protected literary or artistic work’.

The principle that the Treaty does not affect the existence of industrial and commercial property rights is derived from Article 222 of the treaty. This provides that ‘the treaty shall in no way prejudice the rules in Member States governing the system of property ownership’. Consequently intellectual property rights are unaffected by the provisions of the treaty unless they hinder free movement or offend the rules of competition. In Keurkoop v Nancy Kean (see below) the design of a handbag which was manufactured in Taiwan was registered in the Benelux countries but without the authority of the actual author.

In Case 78/70, Deutsche Grammophon v Metro-SB Grossmärkte [1971] ECR 487, [1971] CMLR 631, the European Court stated:

If a right related to copyright is relied on to prevent the marketing in a Member State of products distributed by the holder of the right or with his consent on the territory of another Member State on the sole ground that such distribution did not take place on the national territory, such a prohibition, which would legitimise the isolation of national markets, would be repugnant to the essential purpose of the treaty, which is to unite national markets into a single market.
That purpose could not be attained if, under the various legal systems of the Member States, nationals of those States were able to partition the market and bring about arbitrary discrimination or disguised restrictions on trade between Member States.

Consequently, it would be in conflict with the provisions prescribing the free movement of products within the Common Market for a manufacturer of sound recordings to exercise the exclusive right to distribute the protected articles, conferred upon him by the legislation of a Member State, in such a way as to prohibit the sale within that State of products placed on the market by him or with his consent in another Member State solely because such distribution did not occur within the territory of the first Member State.

This has now been confirmed in *Thetford v Fiamma* [1989] 2 All ER 801, where the plaintiffs were the owners of UK patents for portable lavatories, the defendants imported infringing portable lavatories from Italy, and the plaintiffs sued. The invention the subject of the patent had appeared in a patent specification filed more than 50 years previously but which had not been published. The Patents Act 1949 (the governing statute at the time) expressly stipulated that this sort of rediscovery of an old invention is no bar to patentability. The defendants argued that because of its history the invention lacked an inventive step and sufficient novelty to be patentable and therefore could not be considered to be industrial or commercial property within the meaning of Article 36. The court, however, followed the Nancy Kean doctrine, although it is worth noting that had the invention been published that probably would have excluded the patent from the Article 36 definition.

11 Fiamma argues that the derogation provided for in Art 36 can apply only if a patent right granted pursuant to national legislation fulfils certain fundamental conditions. In particular, a patent granted in the absence of novelty or an inventive step cannot be regarded as being covered by the expression ‘protection of industrial and commercial property’.

12 In that regard, it must be observed, as the court held in *Keurkoop BV v Nancy Kean Gifts BV* Case 144/81 [1982] ECR 2853 at 2871 (para 18) on the protection of designs, that:

in the present state of Community law and in the absence of Community standardisation or of a harmonisation of laws the determination of the conditions and procedures under which protection ... is granted is a matter for national rules ...

13 However, Fiamma contends that the court’s case law on designs may not be transposed to the field of patents in view of the higher degree of harmonisation of national legislation which has already been achieved in that field and the existence of international conventions based on the principle of absolute novelty.

14 That argument cannot be upheld. First, no harmonisation of the patents legislation of the member states has yet been effected by virtue of measures of Community law. Second, none of the international conventions in force on patents is capable of supporting Fiamma’s argument. The entry into
force of the Convention on the Grant of European Patents (the European Patent Convention) (Munich, 5 October 1973; TS 20 (1978); Cmnd 7090), which is based on the principle of absolute novelty, did not affect the existence of national legislation on the granting of patents. Article 2(2) of that Convention expressly provides that ‘the European patent shall, in each of the Contracting States for which it is granted, have the effect of and be subject to the same conditions as a national patent granted by that State’.

As for the Convention on the Unification of Certain Points of Substantive Law on Patents for Invention (Strasbourg, 27 November 1963; TS 70 (1980); Cmnd 8002), it must be pointed out that, since that convention entered into force after the patent in question had been granted, it cannot serve as a determining factor for the purposes of the interpretation of Community law. The only instrument the provisions of which might afford support for Fiamma’s point of view with regard to the recognition in the Community legal order of the principle of absolute novelty is the Convention for the Patent for the Common Market (the Community Patent Convention) (Luxembourg, 15 December 1975; EC 18 (1976); Cmnd 6553), which has close links with the aforementioned Munich Convention but which has not yet entered into force.

15 It follows that, as the court held in Parke Davis & Co v Probel Case 24/67 11968 ECR 55, since the existence of patent rights is at present a matter solely of national law, a Member State’s patents legislation, such as the legislation at issue, is covered in principle by the derogations from Article 30 which are provided for in Article 36.

16 It must next be considered whether the application of the principle at issue may not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36.

17 As regards the first possibility, namely whether a means of arbitrary discrimination is involved, it is sufficient, in order to refute that argument, to point out that before the court the agent of the UK stated, without being contradicted by the other parties, that the application of s 50(1) of the Patents Act 1949 does not give rise to any discrimination. On the one hand, that rule prevents consideration from being given to a specification disclosing an invention whether it was filed in the UK or in another State; second, there is no discrimination based on the nationality of applicants for patents: foreign nationals applying for patents in the UK have the same rights as UK nationals.

18 It must further be considered whether the application of the principle in question may not give rise to a disguised restriction on trade between Member States.

19 In that regard, the justification for the rule of relative novelty, as given in the documents before the court, discloses that the objective pursued by the UK legislature in introducing the ‘50-year rule’ in 1902 was to foster creative activity on the part of inventors in the interests of industry. To that end, the 50-year rule aimed to make it possible to give a reward, in the form of the grant of a patent, even in cases in which an ‘old’ invention was
‘rediscovered’. in such cases the UK legislation was designed to prevent the existence of a former patent specification which had never been utilised or published from constituting a ground for revoking a patent which had been validly issued.

20 Consequently, a rule such as the 50-year rule cannot be regarded as constituting a disguised restriction on trade between Member States.

21 In view of the foregoing considerations, the answer to the national court’s first question must be that, in the present state of Community law, Article 36 must be interpreted as not precluding the application of a Member State’s legislation on patents which provides that a patent granted for an invention may not be declared invalid by reason only of the fact that the invention in question appears in a patent specification filed more than 50 years previously.

23 Fiamma maintains in that connection that the ‘rule of proportionality’ as defined in the case law of the court and, in particular, by de Peijper Case 104/75 [1976] ECR 613, should also be applied in the field of industrial and commercial property. In particular, in view of the particular features of the case at issue, in which the protection conferred by Article 36 relates to a patent obtained by virtue of the rule of relative novelty, the specific subject-matter of the patent is already adequately protected by conferring on the proprietor of the patent the right to obtain reward for the marketing of the patented article without going so far as to give him the right to obtain an injunction.

24 However, it must be observed in that connection that according to the case law of the court (most recently in Pharnon BV v Hoechst AS Case 19/84 [1985] ECR 2281) the right of the proprietor of a patent to prevent the importation and marketing of products manufactured under a compulsory licence is part of the substance of patents law. There is all the more reason for that conclusion to apply in a case such as this where no licence has been granted by the proprietor of the patent in the country of manufacture.

Restrictions on the ownership of intellectual property rights to nationals of a particular Member State, and requirements that the holder of the patent manufacturers in that Member State, would be considered unlawful. The same principle applies to national provisions which govern the transfer or extinction of intellectual property rights, including compulsory licensing. In Allen and Hanburys v Generics [1988] 1 CMLR 701, [1988] 2 All ER 454 Salbutamol was subject to licences of right in the UK under the transitional provisions of the Patents Act 1977. Generics imported the drug from Italy where it was not patented and Allen and Hanburys sued. The case went before the House of Lords which referred several questions to the European Court of Justice. The court provided the following guidance:

14 In those circumstances it must be considered that the power of national courts to prohibit the importation of the product in question may be justified under the provisions of Article 36 on the protection of industrial and commercial property only if that prohibition is necessary in order to ensure that the proprietor of such a patent has, vis-à-vis importers, the
same rights as he enjoys as against producers who manufacture the product in the national territory, that is to say the right to a fair return from his patent.

15 That is therefore the test which must be applied in examining the merits of a number of arguments raised before the court, both by Allen and Hanburys and by the UK, in order to justify an injunction prohibiting imports granted against an importer-infringer.

16 It has been observed in the first place that an importer may have no substantial presence in the importing Member State, in particular where his assets and employees are not subject to the jurisdiction of that state. An injunction prohibiting him from importing the product is then justified until the patent proprietor has been guaranteed actual payment of the sums due to him.

17 However, that argument cannot be accepted in the case of a Member State where, under the relevant legislation, the fact that manufacturers based in its territory do not have adequate assets cannot justify the grant of an injunction against them until they have offered guarantees of payment. For a manufacturer based in the territory of a Member State as well as for an importer, such guarantees of payment can only be included among the terms fixed in the licensing agreement or, in default of an agreement, by the competent national authority.

18 It has also been maintained that an injunction prohibiting imports may be justified by the difficulty of carrying out checks on the origin and quantities of goods imported, on the basis of which the royalties payable to the patent proprietor must be calculated.

19 However, it should be pointed out that it may also be difficult to check the quantity of goods marketed even where they are manufactured within the national territory and yet no injunction or interdict is possible in those circumstances. It is therefore a matter for the licensing agreement alone or, in default of agreement, for the competent national authority to lay down detailed rules to enable the patent proprietor to check the supporting documents produced by the importer regarding the purchase, import and sale of the product.

20 Finally, it has been maintained that an injunction prohibiting imports may be justified in order to enable the patent proprietor to check on the quality of an imported medicine in the interests of public health.

21 It must be observed, however, that that consideration has nothing to do with protection of the exclusive rights of the patent proprietor and, therefore, may not be relied on in order to justify, on grounds of protection of industrial and commercial property, a restriction on trade between Member States.

22 It must therefore be concluded that an injunction issued against an importer-infringer in the circumstances described by the national court would constitute arbitrary discrimination prohibited by Article 36 of the Treaty and could not be justified on grounds of the protection of industrial and commercial property.
EXHAUSTION

The doctrine of exhaustion is central to the EC’s approach to intellectual property rights. It was first laid down in the *Deutsche Grammophon v Metro* case. The same principle applies even where no protection is available in the Member State where the first marketed. In *Merck v Stephar* [1981] ECR 2063, [1981] 3 CMLR 463 the plaintiff marketed a pharmaceutical product which it also sold in Italy. Pharmaceutical products were not at that time capable of being patented in Italy although the law has now changed. The defendant acquired the product in Italy and sold it in the Netherlands. The European Court of Justice held that the patent was exhausted when the goods were sold in Italy. If the patentee chooses to market his product in a Member State where it is not patentable he must bear the consequences of his decision.

Had the product been sold in Italy without Merck’s authorisation, the outcome would have been rather different.

7 Stephar and the Commission conclude that once the proprietor of the patent has himself placed the product in question on the open market in a Member State in which it is not patentable, the importation of such goods into the Member State in which the product is protected may not be prohibited because the proprietor of the patent has placed it on the market of his own free will.

8 In contrast Merck, supported by the French Government and the Government of the UK, maintains that the purpose of the patent, which is to reward the inventor, is not safeguarded if owing to the fact that the patent right is not recognised by law in the country in which the proprietor of the patent has marketed his product he is unable to collect the reward for his creative effort because he does not enjoy a monopoly in first placing the product on the market.

9 In the light of that conflict of views, it must be stated that in accordance with the definition of the specific purpose of the patent, which has been described above, the substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market.

10 That right of first placing a product on the market enables the inventor, by allowing him a monopoly in exploiting his product, to obtain the reward for his creative effort without, however, guaranteeing that he will obtain such a reward in all circumstances.

11 It is for the proprietor of the patent to decide, in the light of all the circumstances, under what conditions he will market his product, including the possibility of marketing it in a Member State where the law does not provide patent protection for the product in question. If he decides to do so he must then accept the consequences of his choice as regards the free movement of the product within the Common Market, which is a fundamental principle forming part of the legal and economic circumstances which must be taken into account by the proprietor of the
patent in determining the manner in which his exclusive right will be exercised.

12 That is borne out, moreover, by the statements of the court in its judgments of 22 June 1976 (Terrapin Case 119/75 [1976] ECR 1039) and 20 January 1981 (Musik-Vertrieb Membran and K-tel, joined Cases 55 and 57/80 [1981] ER 147) inasmuch as ‘the proprietor of an industrial or commercial property right protected by the law of a Member State cannot rely on that law to prevent the importation of a product which has been lawfully marketed in another Member State by the proprietor himself or with his consent’.

13 Under those conditions to permit an inventor, or one claiming under him, to invoke a patent held by him in one Member State in order to prevent the importation of the product freely marketed by him in another Member State where that product is not patentable would bring about a partitioning of the national markets which would be contrary to the aims of the Treaty.

The first exhaustion case dealing with patents was Case 15/74, Centrafarm v Sterling Drug [1974] ECR 1147, [1974] 2 CMLR 480. The case concerned the mark Negram. The price of the drug differed between the UK and the Netherlands by a factor of some 50% and Centrafarm bought it in the UK for resale in the Netherlands. The drug was patented in both countries and the patents belonged to Sterling Drug. It commenced proceedings in the Netherlands and the Dutch court referred the matter to the European Court of Justice which held that Sterling Drug could not use its patent rights to stop parallel imports.

As far as the patent was concerned, the court stated:

4 This question requires the court to state whether, under the conditions postulated, the rules in the EEC Treaty concerning the free movement of goods prevent the patentee from ensuring that the product protected by the patent is not marketed by others.

5 As a result of the provisions in the Treaty relating to the free movement of goods and in particular of Article 30, quantitative restrictions on imports and all measures having equivalent effect are prohibited between Member States.

6 By Article 36 these provisions shall nevertheless not include prohibitions or restrictions on imports justified on grounds of the protection of industrial or commercial property.

7 Nevertheless, it is clear from this same Article, in particular its second sentence, as well as from the context, that whilst the treaty does not affect the existence of rights recognised by the legislation of a Member State in matters of industrial and commercial property, yet the exercise of these rights may nevertheless, depending on the circumstances, be affected by the prohibitions in the treaty.

8 Inasmuch as it provides an exception to one of the fundamental principles of the Common Market, Article 36 in fact only admits of derogations from
the free movement of goods where such derogations are justified for the purpose of safeguarding rights which constitute the specific subject-matter of this property.

9 In relation to patents, the specific subject-matter of the industrial property is the guarantee that the patentee, to reward the creative effort of the inventor, has the exclusive right to use an invention with a view to manufacturing industrial products and putting them into circulation for the first time, either directly or by the grant of licences to third parties, as well as the right to oppose infringements.

10 An obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a patentee’s right is not exhausted when the product protected by the patent is marketed in another Member State, with the result that the patentee can prevent importation of the product into his own Member State when it has been marketed in another State.

11 Whereas an obstacle to the free movement of goods of this kind may be justified on the ground of protection of industrial property where such protection is invoked against a product coming from a Member State where it is not patentable and has been manufactured by third parties without the consent of the patentee and in cases where there exist patents, the original proprietors of which are legally and economically independent, a derogation from the principle of the free movement of goods is not, however, justified where the product has been put onto the market in a legal manner, by the patentee himself or with his consent, in the Member State from which it has been imported, in particular in the case of a proprietor of parallel patents.

12 In fact, if a patentee could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States, in a situation where no such restriction was necessary to guarantee the essence of the exclusive rights flowing from the parallel patents.

13 The plaintiff in the main action claims, in this connection, that by reason of divergences between national legislations and practice, truly identical or parallel patents can hardly be said to exist.

14 It should be noted here that, in spite of the divergences which remain in the absence of any unification of national rules concerning industrial property, the identity of the protected invention is clearly the essential element of the concept of parallel patents which it is for the courts to assess.

15 The question referred should therefore be answered to the effect that the exercise, by a patentee, of the right which he enjoys under the legislation of a Member State to prohibit the sale, in that State, of a product protected by the patent which has been marketed in another Member State by the patentee or with his consent is incompatible with the rules of the EEC Treaty concerning the free movement of goods within the Common Market.
In *Pharmon v Hoechst* [1985] ECR 2281; [1985] 3 CMLR 775 a licence of right to make the products in question in the UK was granted, but with a ban on exports written into it. Pharmon nevertheless exported the product to the Netherlands and Hoechst sought an injunction to stop the sale of the drug in that country. The European Court of Justice held that Hoechst had not consented to the manufacture of the product by the compulsory licensee. The exclusive right of first marketing must be protected, therefore the patentee could prevent the marketing of parallel imports in such circumstances.

The Advocate General added a proviso which was not adopted by the court that this would be different if the patent holder had expressly or impliedly consented to the grant of a compulsory licence. This might, for example, be the case where there were links between the patent holder and the compulsory licensee such as where they were parent and subsidiary.

14 The *Hoge Raad’s* first question asks in substance whether Articles 30 and 36 of the EEC Treaty preclude the application of legal provisions of a Member State which give a patent proprietor the right to prevent the marketing in that State of a product which has been manufactured in another Member State by the holder of a compulsory licence granted in respect of a parallel patent held by the said proprietor.

22 It must be recalled that the court has consistently held that Articles 30 and 36 of the EEC Treaty preclude the application of national provisions which enable a patent proprietor to prevent the importation and marketing of a product which has been lawfully marketed in another Member State by the patent proprietor by him or with his consent, or by a person economically or legally dependent on him.

23 If a patent proprietor could preclude the importation of protected produce marketed in another Member State by him or with his consent, he would be able to partition the national markets and thus restrict trade between the Member States although such a restriction is not necessary to protect the substance of his exclusive rights under the parallel patents.

24 The *Hoge Raad’s* question is therefore essentially intended to establish whether the same rules apply where the product imported and offered for sale has been manufactured in the exporting Member State by the holder of a compulsory licence granted in respect of a parallel patent held by the proprietor of the patent in the importing Member State.

25 It is necessary to point out that where, as in this instance, the competent authorities of a Member State grant a third party a compulsory licence which allows him to carry out manufacturing and marketing operations which the patentee would normally have the right to prevent, the patentee cannot be deemed to have consented to the operation of that third party. Such a measure deprives the patent proprietor of his right to determine freely the conditions under which he markets his products.

26 As the court held most recently in its judgment of 14 July 1981 (*Merck v Stephar*) the substance of a patent right lies essentially in according the inventor an exclusive right of first placing the product on the market so as
to allow him to obtain the reward for his creative effort. It is therefore necessary to allow the patent proprietor to prevent the importation and marketing of products manufactured under a compulsory licence in order to protect the substance of his exclusive right under his patent.

27 Consequently, in reply to Question 1 it must be stated that Articles 30 and 36 of the EEC Treaty do not preclude the application of legal provisions of a Member State which give a patent proprietor the right to prevent the marketing in that State of a product which has been manufactured in another Member State by the holder of a compulsory licence granted in respect of a parallel patent held by the same proprietor.

28 Questions 2 and 3 ask essentially whether the reply to Question 1 depends, in the first place, on whether the authorities of the Member State which granted the compulsory licence have attached to it a prohibition on exportation and, second, on whether the compulsory licence provides for a system of royalties for the patentee and whether he has actually accepted or received such royalties.

29 It is sufficient to state that the limits referred to above imposed by Community law on the application of the law of the importing Member State in no way depend on the conditions attached by the competent authorities of the exporting Member State to the grant of the compulsory licence.

30 It follows that in reply to Questions 2 and 3 it must be stated that it makes no difference to the reply to Question 1 whether a prohibition on exportation is attached to the compulsory licence, whether that licence fixes royalties payable to the patentee or whether the patentee has accepted or refused such royalties.

The first case on the exhaustion of trademark rights was *Centrafarm v Winthrop* Case 16/74 [1974] ECR 1183, [1974] 2 CMLR 480 which arose on the same facts as the *Sterling Drug* case.

8 In relation to trademarks, the specific subject-matter of the industrial property is the guarantee that the owner of the trademark has the exclusive right to use that trademark, for the purpose of putting products protected by the trademark into circulation for the first time, and is therefore intended to protect him against competitors wishing to take advantage of the status and reputation of the trademark by selling products illegally bearing that trademark.

9 An obstacle to the free movement of goods may arise out of the existence, within a national legislation concerning industrial and commercial property, of provisions laying down that a trademark owner’s right is not exhausted when the product protected by the trademark is marketed in another Member State, with the result that the trademark owner can prevent importation of the product into his own Member State when it has been marketed in another Member State.

10 Such an obstacle is not justified when the product has been put onto the market in a legal manner in the Member State from which it has been
imported, by the trademark owner himself or with his consent, so that there can be no question of abuse or infringement of the trademark.

11 In fact, if a trademark owner could prevent the import of protected products marketed by him or with his consent in another Member State, he would be able to partition off national markets and thereby restrict trade between Member States, in a situation where no such restriction was necessary to guarantee the essence of the exclusive right flowing from the trademark.

12 The question referred should therefore be answered to the effect that the exercise, by the owner of a trademark, of the right which he enjoys under the legislation of a Member State to prohibit the sale, in that State, of a product which has been marketed under the trademark in another Member State by the trademark owner or with his consent is incompatible with the rules of the EEC Treaty concerning the free movement of goods within the Common Market.


11 In relation to trademarks, the specific subject-matter is in particular the guarantee to the proprietor of the trademark that he has the exclusive right to use that trademark for the purpose of putting a product into circulation for the first time and therefore his protection against competitors wishing to take advantage of the status and reputation of the mark by selling products illegally bearing that trademark.

12 In order to establish in exceptional circumstances the precise scope of that exclusive right granted to the proprietor of the mark, regard must be had to the essential function of the trademark, which is to guarantee the identity of the origin of the trademarked product to the consumer or ultimate user.

13 This guarantee of origin means that only the proprietor may confer an identity upon the product by affixing the mark.

14 The guarantee of origin would in fact be jeopardised if it were permissible for a third party to affix the mark to the product, even to an original product.

15 It is thus in accordance with the essential function of the mark that national legislation, even where the manufacturer or distributor is the proprietor of two different marks for the same product, prevents an unauthorised third party from usurping the right to affix one or other mark to any part whatsoever of the production or to change the marks affixed by the proprietor to different parts of the production.

16 The guarantee of the origin of the product requires that the exclusive right of the proprietor should be protected in the same manner where the different parts of the production, bearing different marks, come from two different Member States.

17 The right granted to the proprietor to prohibit any unauthorised affixing of his mark to his product accordingly comes within the specific subject-matter of the trademark.
18 The proprietor of a trademark which is protected in one Member State is accordingly justified pursuant to the first sentence of Article 36 in preventing a product from being marketed by a third party in that Member State under the mark in question even if previously that product has been lawfully marketed in another Member State under another mark held in the latter State by the same proprietor.

19 Nevertheless it is still necessary to consider whether the exercise of that right may constitute a ‘disguised restriction on trade between Member States’ within the meaning of the second sentence of Article 36.

In Case 102/77, Hoffman-La Roche v Centrafarm [1978] ECR 1139, [1979] 3 CMLR 217, the defendant purchased tablets in the UK and repackaged them for the German market affixing the plaintiff’s trademark to them. The court held that the plaintiff was entitled to use its trademark rights to prevent these parallel imports.

7 In relation to trademarks, the specific subject-matter is in particular to guarantee to the proprietor of the trademark that he has the exclusive right to use that trademark for the purpose of putting a product into circulation for the first time and therefore to protect him against competitors wishing to take advantage of the status and reputation of the trademark by selling products illegally bearing that trademark. In order to answer the question whether that exclusive right involves the right to prevent the trademark being affixed by a third person after the product has been repackaged, regard must be had to the essential function of the trademark, which is to guarantee the identity of the origin of the trademarked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin. This guarantee of origin means that the consumer or ultimate user can be certain that a trademarked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the proprietor of the trademark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trademark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trademark right.

8 It is accordingly justified under the first sentence of Article 36 to recognise that the proprietor of a trademark is entitled to prevent an importer of a trademark product, following repackaging of that product, from affixing the trademark to the new packaging without the authorisation of the proprietor.

9 It is, however, necessary to consider whether the exercise of such a right may constitute a ‘disguised restriction on trade between Member States’ within the meaning of the second sentence of Article 36. Such a restriction might arise, inter alia, from the proprietor of the trademark putting onto the market in various Member States an identical product in various packages while availing himself of the rights inherent in the trademark to prevent repackaging by a third person even if it were done in such a way
that the identity of origin of the tradmarked product and its original condition could not be affected. The question, therefore, in the present case is whether the repackaging of a tradmarked product such as that undertaken by Centrafarm is capable of affecting the original condition of the product.

10 In this respect the answer must vary according to the circumstances and in particular according to the nature of the product and the method of repackaging. Depending on the nature of the product, repackaging in many cases inevitably affects its condition, while in others repackaging involves a more or less obvious risk that the product might be interfered with or its original condition otherwise affected. Nevertheless, it is possible to conceive of the repackaging being undertaken in such a way that the original condition of the product cannot be affected. This may be so where, for example, the proprietor of the trademark has marketed the product in a double packaging and the repackaging affects only the external packaging, leaving the internal packaging intact, or where the repackaging is inspected by a public authority for the purpose of ensuring that the product is not adversely affected. Where the essential function of the trademark to guarantee the origin of the product is thus protected, the exercise of his rights by the proprietor of the trademark in order to fetter the free movement of goods between Member States may constitute a disguised restriction within the meaning of the second sentence of Article 36 of the treaty if it is established that the use of the trademark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between Member States.

11 Although this conclusion is unavoidable in the interests of freedom of trade, it amounts to giving the trader, who sells the imported product with the trademark affixed to the new packaging without the authorisation of the proprietor, a certain licence which in normal circumstances is reserved to the proprietor himself in the interests of the proprietor as trademark owner and to protect him against any abuse it is therefore right to allow such licence only where it is shown that the repackaging cannot adversely affect the original condition of the product.

12 Since it is in the proprietor’s interest that the consumer should not be misled as to the origin of the product, it is moreover right to allow the trader to sell the imported product with the trademark affixed to the new packaging only on condition that he gives the proprietor of the mark prior notice and that he states on the new packaging that the product has been repackaged by him.

13 It follows from what has been stated above that, subject to consideration of the facts of a particular case, it is irrelevant in answering the legal question raised regarding the substance of trademark law that the question referred by the national court is exclusively concerned with medicinal products.
The first question must therefore be answered to the effect that:

(a) The proprietor of a trademark right which is protected in two Member States at the same time is justified pursuant to the first sentence of Article 36 of the EEC Treaty in preventing a product to which the trademark has lawfully been applied in one of those States from being marketed in the other Member State after it has been repacked in new packaging to which the trademark has been affixed by a third party.

(b) However, such prevention of marketing constitutes a disguised restriction on trade between Member States within the meaning of the second sentence of Article 36 where:

- It is established that the use of the trademark right by the proprietor, having regard to the marketing system which he has adopted, will contribute to the artificial partitioning of the markets between Member States;
- It is shown that the repackaging cannot adversely affect the original condition of the product;
- The proprietor of the mark receives prior notice of the marketing of the repackaged product; and
- It is stated on the new packaging by whom the product has been repackaged.

In order to answer the question whether that exclusive right involves the right to prevent the trademark being affixed by a third person after the product has been repackaged, regard must be had to the essential function of the trademark, which is to guarantee the identity of the origin of the trademarked product to the consumer or ultimate user, by enabling him without any possibility of confusion to distinguish that product from products which have another origin. This guarantee of origin means that the consumer or ultimate user can be certain that a trademarked product which is sold to him has not been subject at a previous stage of marketing to interference by a third person, without the authorisation of the proprietor of the trademark, such as to affect the original condition of the product. The right attributed to the proprietor of preventing any use of the trademark which is likely to impair the guarantee of origin so understood is therefore part of the specific subject-matter of the trademark right.

This proposition was refined in Case 1/81, Pfizer v Eurim-Pharm [1981] ECR 2913. The case arose from the different prescribing practices of doctors in Germany and the UK. Eurim-Pharm repackaged pharmaceuticals into different quantities more appropriate for the German market. The tablets concerned were contained in blister packs so there was no question of any tampering with the products.

The new packages into which the drugs were put had windows through which the original trademarks were clearly visible. The outside of the packaging identified the repackager. Eurim-Pharm had clearly done their homework on the Hoffman-La Roche case and took the step of informing Pfizer of what they were doing. The court consequently found in their favour.
The application of the exhaustion doctrine to copyright was first addressed in the Deutsche Grammophon case which has already been discussed. It was refined in Musik-Vertrieb Membran v GEMA [1981] ECR 147, [1981] 2 CMLR 44.

It is apparent from the well-established case law of the court and most recently from the judgment of 22 June 1976 in Case 119/75 Terrapin Overseas Ltd [1976] ECR 1039 that the proprietor of an industrial or commercial property right protected by the law of a Member State cannot rely on that law to prevent the importation of a product which has been lawfully marketed in another Member State by the proprietor himself or with his consent.

In the proceedings before the court the French government has argued that that case law cannot be applied to copyright, which comprises, inter alia, the right of an author to claim authorship of the work and to object to any distortion, mutilation or other alteration thereof, or any other action in relation to the said work which would be prejudicial to his honour or reputation. It is contended that, in thus conferring extended protection, copyright is not comparable to other industrial and commercial property rights such as patents or trademarks.

It is true that copyright comprises moral rights of the kind indicated by the French government. However, it also comprises other rights, notably the right to exploit commercially the marketing of the protected work, particularly in the form of licences granted in return for payment of royalties. It is this economic aspect of copyright which is the subject of the question submitted by the national court and, in this regard, in the application of Article 36 of the treaty there is no reason to make a distinction between copyright and other industrial and commercial property rights.

While the commercial exploitation of copyright is a source of remuneration for the owner it also constitutes a form of control on marketing exercisable by the owner, the copyright management societies acting in his name and the grantees of licences. From this point of view commercial exploitation of copyright raises the same issues as that of any other industrial or commercial property right.

The argument put to the court by the Belgian and Italian governments that in the absence of harmonisation in this sector the principle of the territoriality of copyright laws always prevails over the principle of freedom of movement of goods within the Common Market cannot be accepted. Indeed, the essential purpose of the treaty, which is to unite national markets into a single market, could not be attained if, under the various legal systems of the Member States, nationals of those Member States were able to partition the market and bring about arbitrary discrimination or disguised restrictions on trade between Member States.

It follows from the foregoing considerations that neither the copyright owner or his licensee, nor a copyright management society acting in the
owner’s or licensee’s name, may rely on the exclusive exploitation right conferred by copyright to prevent or restrict the importation of sound recordings which have been lawfully marketed in another Member State by the owner himself or with his consent.

16 GEMA has argued that such an interpretation of Articles 30 and 36 of the Treaty is not sufficient to resolve the problem facing the national court since GEMA’s application to the German courts is not for the prohibition or restriction of the marketing of the gramophone records and tape cassettes in question on German territory but for equality in the royalties paid for any distribution of those sound recordings on the German market. The owner of a copyright in a recorded musical work has a legitimate interest in receiving and retaining the benefit of his intellectual or artistic effort regardless of the degree to which his work is distributed and consequently it is maintained that he should not lose the right to claim royalties equal to those paid in the country in which the recorded work is marketed.

17 It should first be observed that the question put by the national court is concerned with the legal consequences of infringement of copyright. GEMA seeks damages for that infringement pursuant to the applicable national legislation and it is immaterial whether the quantum of damages which it seeks is calculated according to the difference between the rate of royalty payable on distribution in the national market and the rate of royalty paid in the country of manufacture or in any other manner. On any view its claims are in fact founded on the copyright owner’s exclusive right of exploitation, which enables him to prohibit or restrict the free movement of the products incorporating the protected musical work.

18 It should be observed next that no provision of national legislation may permit an undertaking which is responsible for the management of copyrights and has a monopoly on the territory of a Member State by virtue of that management to charge a levy on products imported from another Member State where they were put into circulation by or with the consent of the copyright owner and thereby cause the Common Market to be partitioned. Such a practice would amount to allowing a private undertaking to impose a charge on the importation of sound recordings which are already in free circulation in the Common Market on account of their crossing a frontier; it would therefore have the effect of entrenching the isolation of national markets which the treaty seeks to abolish.

It follows from those considerations that this argument must be rejected as being incompatible with the operation of the Common Market and with the aims of the Treaty.

24 As the court held in another context in its judgment of 31 October 1974 in Case 15/74 Centrafarm BV and Adriaan De Peijper v Sterling Drug Inc [1974] ECR 1147, the existence of a disparity between national laws which is capable of distorting competition between Member States cannot justify a Member State’s giving legal protection to practices of a private body which are incompatible with the rules concerning free movement of goods.
25 It should further be observed that in a Common Market distinguished by free movement of goods and freedom to provide services an author, acting directly or through his publisher, is free to choose the place, in any of the Member States, in which to put his work into circulation. He may make that choice according to his best interests, which involve not only the level of remuneration provided in the Member State in question but other factors such as, for example, the opportunities for distributing his work and the marketing facilities which are further enhanced by virtue of the free movement of goods within the Community. In those circumstances, a copyright management society may not be permitted to claim, on the importation of sound recordings into another Member State, payment of additional fees based on the difference in the rates of remuneration existing in the various Member States.

26 It follows from the foregoing considerations that the disparities which continue to exist in the absence of any harmonisation of national rules on the commercial exploitation of copyrights may not be used to impede the free movement of goods in the Common Market.

The answer to the question put by the Bundesgerichtshof should therefore be that Articles 30 and 36 of the treaty must be interpreted as precluding the application of national legislation under which a copyright management society empowered to exercise the copyrights of composers of musical work reproduced on gramophone records or other sound recordings in another Member State is permitted to invoke those rights where those sound recordings are distributed on the national market after having been put into circulation in that other Member State by or with the consent of the owners of those copyrights, in order to claim payment of a fee equal to the royalties ordinarily paid for marketing on the national market less the lower royalties paid in the Member State of manufacture.

In both these cases, however, the court managed to avoid defining the specific subject-matter of copyright. That omission was redressed in Case 62/69, Coditel v Cine Vog (No 1) [1980] ECR 881.

Note that the specific subject-matter of the right to restrict performance of a copyright work may well differ from the specific subject-matter of other acts restricted by copyright. This distinction was brought out in Case 402/85, Basset v SACEM [1987] ECR 1747, [1987] 3 CMLR 173, where the plaintiff was the owner of a discotheque in France. He failed to pay the agreed royalties to the collecting society which sued him. In France, the fees payable to the collecting society include a ‘supplementary reproduction royalty’ which is not matched by any similar charge in any other Member State, although it does not have the effect of making the total royalty payable necessarily any higher than that which prevails in other Member States.

12 It appears from the judgment of the national court that the ‘supplementary mechanical reproduction fee’ with which the preliminary questions are concerned is charged not on the importation or marketing of records or other sound recordings but by reason of their public use, for example by a radio station, in a discotheque or in a device such as a juke-box installed in
a public place. The problem raised by the national court lies in the fact that in such circumstances that royalty is charged in addition to a performance royalty.

13 The national court asks whether Articles 30 and 36 or Article 86 of the treaty prohibits the charging of such an aggregate fee where the sound recordings were manufactured and marketed in a Member State where there is no such aggregation of fees and only a performance royalty is charged on the public use of a recorded work. That is the hypothesis that must be examined.

14 It is undisputed that, as is normally the case with regard to copyright management, on the basis of the applicable international conventions, the aggregation of a performance fee and a supplementary mechanical reproduction fee charged on the public use in France of a recorded musical work takes place whether the records are of French origin or are manufactured or marketed in another Member State. It is true that public use in another Member State may give rise only to the collection of a performance royalty in favour of the author and the record manufacturer, but that circumstance does not imply that the amount of the royalty charged or its function are different from those of the royalties charged in France on such use.

15 In other words, disregarding the concepts used by French legislation and practice, the supplementary mechanical reproduction fee may thus be analysed as constituting part of the payment for an author's rights over the public performance of a recorded musical work. Moreover, the amount of that royalty, like that of the performance fee strictly so called, is calculated on the basis of the discotheque's turnover and not the number of records bought or played.

16 It follows that, even if the charging of the fee in question were to be capable of having a restrictive effect on imports, it does not constitute a measure having equivalent effect prohibited under Article 30 of the Treaty inasmuch as it must be regarded as a normal exploitation of copyright and does not constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States for the purposes of Article 36 of the Treaty.

The European Court of Justice, to which the matter was referred, decided the case on the basis of the supplement was outside Article 30. As far as the court was concerned lobbying the supplementary reproduction royalties was merely a normal exploitation of copyright.

The application of the doctrine to copyright has been more recently considered in Case 158/86, *Warner Brothers v Christiansen* [1988] ECR 2605, [1990] 3 CMLR 684. That concerned videos purchased in England, where at the time there was no rental right, and imported into Denmark. The purchaser hired them out from his shop, a restricted act under Danish copyright law. The court followed the doctrine that it is for national laws to define the scope of commercial and industrial property rights and in the absence of harmonisation the Danish law stood.
In Case 341/87 EMI Electrola v Patricia [1989] ECR 79, [1989] 2 CMLR 544 the court applied a similar logic to sound recordings. The term of protection for sound recordings (unharmonised at that time under EC law) was 50 years in Germany but only 25 in Denmark. A Danish CD manufacturer made commercial recordings of old Cliff Richard records, which were out of protection in Denmark, and sold them in Germany, where they were not. He prayed in aid the Treaty of Rome as a defence against copyright infringement but the court did not accept this defence. German law was perfectly entitled to protect such works for longer than Danish law did.

Pursuant to Article 36 of the Treaty, the provisions of Article 30 prohibiting all measures having an equivalent effect to quantitative restrictions on imports between Member States do not preclude prohibitions or restrictions on imports justified on grounds of the protection of industrial and commercial property. Such protection covers the protection of literary and artistic property including copyright, if it is exploited commercially. Therefore it also covers protection for exclusive rights of reproduction and distribution of sound recordings, if that is treated in the same way as copyright by the relevant national law.

Therefore the object of Articles 30 and 36 is to reconcile the requirements of the free movement of goods with upholding the lawful exercise of exclusive rights in literary and artistic property. In particular, that reconciliation means that protection must be refused to any improper exercise of those rights which would be likely to maintain or create artificial partitioning in the Common Market.

From this the court’s case law has inferred that a copyright owner cannot rely on the exclusive exploitation right conferred by his copyright to prevent or restrict the importation of sound recordings which have been lawfully marketed in another Member State by the owner himself or with his consent (Musik-Vertrieb Membran, Cases 55 and 57/80).

However, that situation differs from the situation envisaged by the national court. The question before the court shows that the fact that sound recordings were marketed lawfully in the market of another Member State is due, not to an act or consent of the copyright owner or his licensee, but to expiry of the protection period granted by the legislation of that Member State. Therefore the problem arises from the disparity between legislation of different countries regarding the protection period given by copyright and by similar rights. The disparity lies either in the duration of protection itself or the details or protection, such as the time when the protection period begins to run.

In this connection it should be observed that, in the present state of Community law, which is characterised by the absence of harmonisation or approximation of legislation on the protection of literary and artistic property, it is for national legislatures to specify the conditions and rules for such protection.

To the extent that the disparity between national laws is likely to create restrictions on sound recordings in the Community, such restrictions are
justified by Article 36 of the Treaty if they arise from the difference in arrangements relating to the duration of protection and if the protection period is inseparably linked with the existence of the exclusive rights themselves.

13 There would be no justification if the restrictions on trade imposed or allowed by the national legislation on which the owner of exclusive rights or his licensee rely were such as to constitute a means of arbitrary discrimination or a disguised measure for restricting trade. However, there is nothing in the file which would permit the presumption that this situation could arise in a case such as the present.

In Joined Cases C-92 and C-326/92, Collins v Imtrat Handelsgesellschaft mbH Patricia Im-und Export Verwaltungsgesellschaft v EMI Electrola GmbH [1994] FSR 166, [1995] 1 CEC 545, the court considered the ability of Member States to protect rights on a reciprocal basis.

The questions referred by the Regional Court, Munich 1, in Case C-92/92 have arisen in connection with an action brought by Phil Collins, a British singer and composer, against a phonogram distributor, Imtrat Handelsgesellschaft mbH (‘Imtrat’) concerning the marketing in German territory of a compact disc containing a recording, made without the singer’s consent, of a concert given in the US.

Sections 96(1) and 125(1) of the German Copyright Act of 9 September 1965 (Urheberrechtsgesetz, ‘UrhG’) grant a performing artist of German nationality the protection accorded by ss 73–84 of the Act for all his performances, particularly the right to prohibit the distribution of performances by him which are reproduced without his authorisation, irrespective of the place of performance. On the other hand, it follows from s 125(2)–(6) UrhG, relating to foreign artists and as interpreted by the Federal Supreme Court, that foreign artists cannot rely on the above-mentioned provisions of s 96(1) if the performance was given outside Germany.

On the application by Phil Collins to the Regional Court, Munich 1, for an injunction to prohibit the marketing of the recordings in question, the national court found, first, that s 125 UrhG was applicable to the case, excluding in particular the Rome Convention of 26 October 1961 for the protection of performers, producers of phonograms and broadcasting organisations, to which the State where the performance had been given, the US, had not acceded, and, second, questioned whether the national provisions were compatible with the principle of non-discrimination laid down by Article 7(1) EEC.

Under these circumstances the Regional Court, Munich 1, stayed the proceedings and referred the following questions to the court for a preliminary ruling:

1. Is copyright law subject to the prohibition of discrimination laid down in Article 7(1) EEC?

2. If so: does it have the (directly applicable) effect that a Member State which accords protection to its nationals for all their artistic performances, irrespective of the place of performance, also has to accord that protection
to nationals of other Member States, or is it compatible with Article 7(1) to attach further conditions (i.e., s 125(2)–(6) of the German Urheberrechtsgesetz of 9 September 1965) to the grant of protection to nationals of other Member States?

The questions in Case C-362/92 have been referred by the Federal Supreme Court in connection with an action brought by EMI Electrola GmbH (‘EMI Electrola’) against Patricia Im-und Export Verwaltungsgesellschaft mbH (‘Patricia’) and its managing director, Mr Kraul, concerning the marketing in Germany of phonograms containing recordings of performances given by Cliff Richard, a British singer, in Great Britain in 1958 and 1959.

EMI Electrola owns the exclusive rights in Germany to exploit these performances. It contends that Patricia has infringed its exclusive rights by marketing without its consent phonograms reproducing those recordings.

On appeal on a point of law in this action, the Federal Supreme Court took the view that it fell within s 125(2)–(6) UrhG, to the exclusion of the Berne Convention of 9 September 1886 for the protection of literary and artistic works, last revised by the Paris Act of 24 July 1971, which concerns copyright proper and the related rights of performing artists, and of the Rome Convention, which cannot be applied retrospectively to performances given in 1958 and 1959.

In the reasoning of the order making the reference, the Federal Supreme Court, which was aware of the questions referred to the court by the Regional Court, Munich 1, in the absence of Community measures, and in the absence, save on certain points, of the harmonisation of national law, copyright and related rights do not appear to come within the ambit of Community law, particularly Article 7 EEC.

Under these circumstances the Federal Supreme Court stayed the proceedings and referred the following questions to the court for a preliminary ruling:

1. Is the national copyright law of a Member State subject to the prohibition of discrimination laid down in Article 7(1) EEC?

2. If so, are the provisions operating in a Member State for the protection of artistic performances (s 125(2)–(6) of the Urheberrechtsgesetz) compatible with Article 7(1) EEC if they do not confer on nationals of another Member State the same standard of protection (national treatment) as they do on national performers?

Reference is made to the report for the hearing for a fuller account of the facts of the main actions, the procedure and the written observations submitted to the court, which are mentioned or discussed hereinafter only in so far as is necessary for the reasoning of the court.

Subject-matter of references

... Application of the treaty to copyright and related rights
The Commission, the German and British governments, Phil Collins and EMI Electrola contend that copyright and related rights, in so far as they are
economic rights determining the conditions under which works and performances by artists can be exploited commercially, fall within the scope of application of the Treaty, as shown by the court’s judgments applying Articles 30, 36, 59, 85 and 86 EEC to those rights and by the intense legislative activity concerning them in the Community. In the rare cases where a specific provision of the Treaty does not apply, the general principle of non-discrimination laid down in Article 7(1) EEC must in any case be applied.

Imtrat contends, on the contrary, that the conditions for according copyright and related rights affect the existence, and not the exercise, of those rights and are not within the scope of the application of the treaty, as shown by Article 222 EEC and the court’s settled case law. Patricia and Mr Kraul, repeating on this point the findings of the Federal Supreme Court, argue in particular that copyright and related rights were not, in the absence of Community rules or harmonisation measures at the time of the acts with which the main action is concerned, governed by Community law.

In the present state of Community law, and in the absence of Community measures or the harmonisation of national law, it is for the Member States to specify the conditions and rules for the protection of literary and artistic property, subject to complying with the relevant international agreements: Case 341/87, EMI Electrola [1989] ECR 79.

The specific purpose of these rights, as governed by national law, is to protect the moral and economic rights of their owners. The protection of moral rights enables authors and artists to resist any distortion, mutilation or other alteration of the work which would be prejudicial to their honour or reputation. Copyright and related rights also have economic characteristics in that they provide for the possibility of commercially exploiting the marketing of the protected work, particularly in the form of licences granted in return for the payment of royalties: Cases 55 and 57/80, Musik-Vertrieb Membran [1981] ECR 147.

As the court observed in the last-mentioned judgment, while the commercial exploitation of copyright is a source of remuneration for the owner it also constitutes a form of control of marketing exerciseable by the owner, the copyright management societies acting in his name and the grantees of licences. From this viewpoint the commercial exploitation of copyright raises the same problems as that of any other industrial or commercial property right.

Like other industrial and commercial property rights, the exclusive rights conferred by literary and artistic property are such as to affect trade in goods and services, as well as competition in the Community. For this reason, as the court has consistently held, these rights, although governed by national law, are subject to the requirements of the treaty and therefore fall within the scope of application.

Consequently, they are subject to, for example, Articles 30 and 36 EEC on the freedom of movement of goods. As the court has previously held, musical works are incorporated in phonograms which are goods, trade in which in the Community is governed by the above-mentioned provisions: Cases 55 and 57/80, cited above.
In the same way the activities of copyright management societies are subject to Articles 59 and 66 EEC, relating to the freedom to provide services. As the court observed in Case 7/82, GVL v EC Commission ECR 483, these activities must not be conducted in such a way as to have the effect of impeding the free movement of services, particularly the exploitation of the rights of performers, to the extent of partitioning the Common Market.

Finally, the exclusive rights conferred by literary and artistic property are subject to the treaty provisions concerning competition: Case 78/70, Deutsche Grammophon [1981] ECR 487.

In addition, subsequently to the main actions, the Council adopted Directive 92/100 of 19 November 1992 on rental right and lending right and certain rights related to copyright in the field of intellectual property [1992] OJ L346/61 on the basis of Article 57(2), 66 and 100a EEC precisely in order to avoid the risk of obstacles to trade and distortions of competition.

It follows from what has been said that copyright and neighbouring rights, which fall within the scope of application of the treaty particularly by reason of their effects on trade in goods and services in the Community, are necessarily subject to the general principle of non-discrimination laid down by Article 7(1), and there is no requirement to attach them to the specific provisions of Articles 30, 36, 59 and 66.

Therefore the reply to the question referred must be that copyright and related rights are within the scope of the treaty within the meaning of Article 7(1); the general principle of non-discrimination laid down by that Article is consequently applicable to those rights.

**Discrimination within the meaning of Article 7(1) EEC**

Imtrat and Patricia contend that the distinction made in the cases referred to by the national courts between German nationals and nationals of other Member States is objectively justified by the differences in national laws and by the fact that not all the Member States have yet acceded to the Rome Convention. Under these circumstances, it is said, the distinction is not contrary to Article 7(1) EEC.

The court has consistently held that Article 7 does not apply to differences in treatment and distortions which affect persons and enterprises under the jurisdiction of the Community and which may arise from differences in the laws of the Member States if such differences affect all persons to who they apply, according to objective criteria and without regard to nationality: Case 14/68, Wilhelm [1969] ECR 1.

Therefore, contrary to the arguments of Imtrat and Patricia, neither the differences in national laws relating to the protection of copyright and related rights nor the fact that not all the Member States have yet acceded to the Rome Convention can justify an infringement of the principle of non-discrimination laid down by Article 7(1) EEC.

By prohibiting ‘any discrimination on grounds of nationality,’ Article 7 EEC requires that persons in a situation governed by Community law be placed on
a completely equal footing with nationals of the Member State: Case 186/87, *Cowan* [1989] ECR 195. Where this principle applies, it precludes a Member State from making the grant of an exclusive right subject to the condition of being a national of that State.

Consequently the reply to the question must be that Article 7(1) EEC must be interpreted as meaning that it prevents the law of a Member State from refusing, under certain circumstances, authors and performing artists of other Member States and their successors in title the right, which is granted by the same law to nationals, to prohibit the marketing in national territory of a phonogram made without their consent, if the performance in question was given outside national territory.

**Effect of Article 7(1)**

As the court has consistently held, the right to equal treatment laid down by Article 7(1) EEC is conferred directly by Community law: Case 186/87, cited above. The right can therefore be relied upon before the national court when asking it to set aside the discriminatory provisions of a national law which refuses nationals of other Member States the protection accorded to nationals of the State in question.

Therefore the reply to the question is that Article 7(1) EEC must be interpreted as meaning that the principle of non-discrimination which it lays down can be relied upon directly before the national court by an author or artist of a Member State or his successor in title in order to seek the protection given to national authors and artists.

**Berne Convention for the Protection of Literary and Artistic Works**

Article 7(1): The term of protection granted by this convention shall be the life of the author and 50 years after his death.

... (5) The term of protection subsequent to the death of the author ... shall run from the date of death ... but such term shall always be deemed to begin on the first of January of the year following the death ...

(6) The countries of the Union may grant a term of protection in excess of those provided by the preceding paragraphs.

... (8) In any case the term shall be governed by the legislation of the country where protection is claimed: however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin.
COMMON ORIGIN OF TRADEMARKS

Where two trademarks arise from a single source, problems can be caused for free movement of branded goods. *EMI Records v CBS UK* [1976] ECR 811, [1976] 2 CMLR 235 concerned the COLUMBIA trademark, used for records. The same mark was used by both parties, for historical reasons. Not only was Article 30 invoked, so too were the competition rules.

9 Within the framework of the provisions of the treaty relating to the free movement of goods and in accordance with Article 3(a), Article 30 et seq on the elimination of quantitative restrictions and of measures having equivalent effect expressly provide that such restrictions and measures shall be prohibited 'between Member States'.

10 ... Consequently the exercise of a trademark right in order to prevent the marketing of products coming from a third country under an identical mark, even if this constitutes a measure having an effect equivalent to a quantitative restriction, does not affect the free movement of goods between Member States and thus does not come under the prohibitions set out in Article 30 et seq of the Treaty.

11 In such circumstances the exercise of a trademark right does not in fact jeopardise the unity of the Common Market which Article 30 et seq are intended to ensure.

... 26 A trademark right, as a legal entity, does not possess those elements of contract or concerted practice referred to in Article 86(1).

27 Nevertheless, the exercise of that right might fall within the ambit of the prohibitions contained in the Treaty if it were to manifest itself as the subject, the means, or the consequence of a restrictive practice.

28 A restrictive agreement between traders within the Common Market and competitors in third countries that would bring about an isolation of the Common Market as a whole which, in the territory of the Community, would reduce the supply of products originating in third countries and similar to those protected by a mark within the Community, might be of such a nature as to affect adversely the conditions of competition within the Common Market.

29 In particular if the proprietor of the mark in dispute in the third country has within the Community various subsidiaries established in different Member States which are in a position to market the products at issue within the Common Market such isolation may also affect trade between Member States.

30 For Article 85 to apply to a case, such as the present one, of agreements which are no longer in force, it is sufficient that such agreements continue to produce their effects after they have formally ceased to be in force.

31 An agreement is only regarded as continuing to produce its effects if from the behaviour of the persons concerned there may be inferred the existence of elements of concerted practice and of co-ordination peculiar to the
agreement and producing the same result as that envisaged by the agreement.

32 This is not so when the said effects do not exceed those flowing from the mere exercise of the national trademark rights.

33 Furthermore it is clear from the file that the foreign trader can obtain access to the Common Market without availing himself of the mark in dispute.

34 In those circumstances the requirement that the proprietor of the identical mark in a third country must, for the purposes of his exports to the protected market, obliterate this mark on the products concerned and perhaps apply a different mark forms part of the permissible consequences flowing from the protection of the mark.

Van Zuylen v Hag [1974] ECR 731; [1974] 2 CMLR 127 was the high-water mark of the doctrine of common origin. It concerned the Hag trademark for decaffeinated coffee.

3 The file shows that the original holder, carrying on business in Germany, had assigned his trademark as regards Belgium to a subsidiary established and controlled by him, but which became independent as a result of an act by a public authority.

4 As it is expressed in the question, there exists between the two present holders 'no legal, financial, technical, or economic link'.

5 Article 85 not being in these circumstances applicable, the question must be examined by reference only to the rules relating to the free movement of goods.

9 Inasmuch as it provides an exception to one of the fundamental principles of the Common Market, Article 36 in fact only admits derogations from the free movement of goods to the extent that such derogations are justified for the purpose of safeguarding rights that constitute the specific subject-matter of this property.

10 Thus the application of the legislation relating to the protection of trademarks at any rate protects the legitimate holder of the trademark against infringement on the part of persons who lack any legal title.

11 The exercise of a trademark right tends to contribute to the partitioning off of the markets and thus to affect the free movement of goods between Member States, all the more so since – unlike other rights of industrial and commercial property – it is not subject to limitations in point of time.

12 Accordingly, one cannot allow the holder of a trademark to rely upon the exclusiveness of a trademark right which may be the consequence of the territorial limitation of national legislations with a view to prohibiting the marketing in a Member State of goods legally produced in another Member State under an identical trademark having the same origin.

13 Such a prohibition, which would legitimise the isolation of national markets, would collide with one of the essential objects of the treaty, which is to unite national markets in a single market.
Whilst in such a market the indication of origin of a product covered by a trademark is useful, information to consumers on this point may be ensured by means other than such as would affect the free movement of goods.

Accordingly, to prohibit the marketing in a Member State of a product legally bearing a trademark in another Member State, for the sole reason that an identical trademark having the same origin exists in the first state, is incompatible with the provisions providing for free movement of goods within the Common Market.

The second question asks whether the same would be the case if the marketing of the product covered by the trademark were effected not by the holder of the trademark in the other Member State but by a third party, who has duly acquired the product in that State.

If the holder of a trademark in one Member State may himself market the product covered by the trademark in another Member State, then this also applies to a third party who has duly acquired this product in the first State.

The judgment was heavily criticised for many years, and when the court got the chance (in Case C 40-89 Hag 2 [1990] ECR 1-3711, involving the same trademarks) to reverse it, it grabbed it with both hands. That leaves Articles 85 and 86 as the main weapons to be used where trademarks conflict within the Common Market. More recent cases, principally Case C 9-93 IHT [1995] FSR 59 reinforce this view.

**FREEDOM TO PROVIDE SERVICES**

The cases considered above are concerned with the free movement of goods. Some types of intellectual property are exploited by services being provided rather than by goods being made: in this situation, Article 59 EC applies.

Within the framework of the provisions set out below, restrictions on freedom to provide services within the Community shall be progressively abolished during the transitional period in respect of nationals of Member States who are established in a State of the Community rather than that of the person for whom the services are intended. The Council, acting unanimously on a proposal from the Commission, may extend the benefit of the provisions of the chapter to nationals of a third country who render services and who are established within the Community.

Case 62/79 Coditel v Cine Vog (No 1) [1980] ECR 881 was the first case in which the court had to apply Article 59 to intellectual property rights.

A cinematographic film belongs to the category of literary and artistic works made available to the public by performances which may be infinitely repeated. In this respect the problems involved in the observance of copyright in relation to the requirements of the Treaty are not the same.
as those which arise in connection with literary and artistic works, the placing of which at the disposal of the public is inseparable from the circulation of the material form of the works, as in the case of books or records.

13 In these circumstances the owner of the copyright in a film and his assigns have a legitimate interest in calculating the fees due in respect of the authorisation to exhibit the film on the basis of the actual or probable number of performances and in authorising a television broadcast of the film only after it has been exhibited in cinemas for a certain period of time. It appears from the file on the present case that the contract made between Les Films la Boetie and Cine Vog stipulated that the exclusive right which was assigned included the right to exhibit the film *Le Boucher* publicly in Belgium by way of projection in cinemas and on television but that the right to have the film diffused by Belgian television could not be exercised until 40 months after the first showing of the film in Belgium.

14 These facts are important in two regards. On the one hand, they highlight the fact that the right of a copyright owner and his assigns to require fees for any showing of a film is part of the essential function of copyright in this type of literary and artistic work. On the other hand, they demonstrate that the exploitation of copyright in films and the fees attaching thereto cannot be regulated without regard being had to the possibility of television broadcasts of those films. The question whether an assignment of copyright limited to the territory of a Member State is capable of constituting a restriction on freedom to provide services must be examined in this context.

15 Whilst Article 59 of the Treaty prohibits restrictions upon freedom to provide services, it does not thereby encompass limits upon the exercise of certain economic activities which have their origin in the application of national legislation for the protection of intellectual property, save where such application constitutes a means of arbitrary discrimination or a disguised restriction on trade between Member States. Such would be the case if that application enabled parties to an assignment of copyright to create artificial barriers to trade between Member States.

16 The effect of this is that, whilst copyright entails the right to demand fees for any showing or performance, the rules of the Treaty cannot in principle constitute an obstacle to the geographical limits which the parties to a contract of assignment have agreed upon in order to protect the author and his assigns in this regard. The mere fact that those geographical limits may coincide with national frontiers does not point to a different solution in a situation where television is organised in the Member States largely on the basis of legal broadcasting monopolies, which indicates that a limitation other than the geographical field of application of an assignment is often impracticable.

17 The exclusive assignee of the performing right in a film for the whole of a Member State may therefore rely upon his right against cable television diffusion companies which have transmitted that film on their diffusion
network having received it from a television broadcasting station established in another Member State, without thereby infringing Community law.

Consequently the answer to the second question referred to the court by the Cour d’Appel, Brussels, should be that the provisions of the treaty relating to the freedom to provide services do not preclude an assignee of the performing right in a cinematographic film in a Member State from relying upon his right to prohibit the exhibition of that film in that State, without his authority, by means of cable diffusion if the film so exhibited is picked up and transmitted after being broadcast in another Member State by a third party with the consent of the original owner of the right.

A second issue was referred to the court in Case 262/81 Coditel v Cine Vog (No 2) [1982] ECR 3381 the right to show the film in Belgium had been licensed exclusively to Cine Vog, subject to the condition that it would not be televised there within 40 months of its cinema release. This was alleged to constitute a contravention of Article 85, which would also amount to a defence to the copyright infringement proceedings against Coditel.

The ECJ ruled that it was for the national court to ascertain whether, in a given case, the manner in which such an exclusive right conferred by contract is exercised is subject to a situation in the economic or legal sphere the object or effect of which is to prevent or restrict the distribution of films or to distort competition on the cinematographic market, regard being had to the specific characteristics of that market.

**Designs**

In Case 144/81 Keurkoop v Nancy Kean Gifts [1982] ECR 2853, [1983] 2 CMLR 47 a handbag had been marketed in the US during the late 1970s. Nancy Kean Gifts was the Dutch subsidiary of an international group. It purchased quantities of the bag from Taiwan. Before launching them, Nancy Kean Gifts registered the design under the Benelux Designs Law of 1966, even though as was alleged it had no entitlement deriving from the designer.

The defendant also obtained almost identical Taiwanese bags. The Dutch court before which infringement proceedings were brought had to consider the impact of the Treaty of Rome if these bags had been produced by the defendant in another Community country where the plaintiff had no protection for the design. It referred the matter to the European Court of Justice under Article 177.

(1) Whether it is compatible with the Rome Treaty provisions on free movement of goods for a regional designs law to confer a right on an applicant for that right without permitting others to challenge his entitlement by relying on the fact that he is not the author of the design or the person commissioning it or employing the author?
The court answered:

... National legislation having the characteristics of the Uniform Benelux Law on Designs falls within the scope of the provisions of Article 36 of the Treaty on the protection of industrial and commercial property. In the present state of its development Community law does not prevent the adoption of national provisions of the kind contained in the Uniform Benelux Law, as described by the national court.

Second, the court was asked:

Whether the Dutch court could enjoin the marketing of products within a Benelux registered design, if they were obtained by the defendant in another Common Market country where the Benelux design-owner has no equivalent right?

It replied:

... the proprietor of a right to a design acquired under the legislation of a Member State may oppose the importation of products from another Member State which are identical in appearance to the design which has been filed, provided that the products in question have not been put into circulation in the other Member State by, or with the consent of, the proprietor of the right or a person legally or economically dependent on him, that as between the natural or legal persons in question there is no kind of agreement or concerted practice in restraint of competition and finally that the respective rights of the proprietors of the right to the design in the various Member States were created independently of one another.

Harmonisation of intellectual property laws

The cases show clearly that differences in national intellectual property laws are hard to reconcile with the existence of a common market. Indeed, as long ago as 1959 the Commission urged the Council to set up working parties to look at patents, trademarks and designs. At that stage, however, it was the creation of Community-wide intellectual property rights that was on the agenda; from the work of these committees emerged the Community Patent Convention and the Community Trademark Regulation (which began life as a convention too).

In 1985 the Commission published its White Paper, ‘Completing The Internal Market’ (COM (85) 310).

The White Paper promised that the Community Patent Convention would be brought into operation by the end of 1987, ‘at least amongst those Member States who were in a position to ratify it’. (It is still not in operation.) It promised to implement the necessary legislative instruments to get the Community trademark system operational, and it also promised action on biotechnology patents and the legal protection of microcircuits.
In the copyright field, the White Paper promised that a consultation document would be published in 1985 (it eventually appeared in 1988) which would deal amongst other things with the protection of computer software.

The Single European Act, which also flowed from the 1985 White Paper, introduced qualified majority voting for single market measures. It introduced a new Article 100a EEC, which as amended by the Maastricht Treaty now provides:

1. By way or derogation from Article 100 and save where otherwise provided in this treaty, the following provisions shall apply for the achievement of the objectives set out in Article 7a. The Council shall, acting in accordance with the procedure referred to in Article 189b and after consulting the Economic and Social Committee, adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States which have as their object the establishment and functioning of the internal market.

Article 189b sets up what is called the co-decision procedure which, following the Maastricht Treaty, is the method by which harmonising legislation in the intellectual property field comes into being. The procedure falls into three phases:

(a) The Commission submits a proposal to the Parliament and the Council; the Parliament gives its opinion; the Council adopt a common position, which it communicates to the Parliament.

(b) Within three months, Parliament can either approve the common position which is then adopted by the Council; abstain (in which case the Council adopts the Act in accordance with the common position); or indicate by an absolute majority of its members that it intends to reject the Act. If the Parliament does this, the Council may then convene the Conciliation Committee, after which the Parliament may confirm its rejection of the measure in which case it is deemed not to have been adopted or propose amendments.

(c) If the Parliament proposes amendments the Council may within three months approve the amendments by qualified majority, modifying its common position accordingly and adopting the measure. However, if the Commission has delivered a negative option on the amendments, then a unanimity in the Council is required. If the Council does not approve the amendments the Conciliation Committee has to be convened.

The Conciliation Committee is convened, it tries to agree on a joint text; the Council and the Commission have six weeks in which to adopt the joint text and if one of them fails to do so the measure is deemed not to have been adopted; if the Conciliation Committee does not approve a joint text the Council may confirm the common position, possibly with amendments proposed by Parliament. The Parliament by an absolute majority may reject the text, otherwise the measure is finally adopted. Parliament accordingly has
three opportunities to prevent a measure being adopted, and also has an opportunity to negotiate a joint text with the Council.

The enhanced role of the Parliament under the co-decision procedure accounts for some argument about the correct treaty provision to use when introducing legislation. For example, in the field of industrial designs, the proposed EC directive is proceeding under Article 189b, whereas the parallel Community regulation is proceeding under Article 235 which gives the Parliament a great deal less say.

The harmonising directives and Community regulations introduced in the intellectual property field are dealt with later in the context of the relative substantive area of law.
A patent is a monopoly right to the exclusive use of an invention. The right lasts for 20 years provided renewal fees are paid on time. It is granted in consideration of a complete disclosure of the invention, so the learning it embodies is available to anyone who is interested. Lord Oliver explained the basis of the system in *Asahi Kasei Kogyo KK’s Application* [1991] RPC 485 (HL):

The underlying purpose of the patent system is the encouragement of improvements and innovation. In return for making known his improvement to the public the inventor receives the benefit of a period of monopoly during which he becomes entitled to prevent others from performing his invention except by his licence. The necessarily technical process of applying for a patent, which involves the formulation of precisely expressed claims defining the extent of the monopoly applied for, and the equally technical process of investigating the claims made, inevitably involve a considerable lapse of time between the date when the inventor first makes his application and the date when his invention is exposed to the public and his patent is granted. Equally inevitably, because two or more persons are likely to evolve and develop similar concepts, competing applications for patents for the same invention will be made, sometimes within a short space of time and possibly in different parts of the world, so that provision has to be made for regulating priorities between co-pending applications both domestically and in different countries. This has for many years been dealt with by international convention which is reflected in domestic legislation, priority being regulated on a ‘first to file’ basis, so that that application which is the first in time to be filed for processing by the appropriate scrutinising authority is accorded precedence even though it may not, at that stage, have complied with all the formalities required by law for a completed application.

Patent law in the UK is contained in the Patents Act 1977 and secondary legislation made under it (most importantly, the Patents Rules 1995 (SI No 2093) and the Patents (Fees) Rules 1995 (SI No 2164)). Before the 1977 Act came into operation, the law was found in the Patents Act 1949. The 1977 Act was made necessary, in part at least, by the European Patents Convention (EPC), of which more later. Certain provisions of the 1977 Act are expressly framed so as to have the same effects as the corresponding provisions of the EPC, the Community Patent Convention and the Patent Co-operation Treaty (s 130(7)): 
Whereas by a resolution made on the signature of the Community Patent Convention the governments of the Member States of the European Economic Community resolved to adjust their laws relating to patents so as (among other things) to bring those laws into conformity with the corresponding provisions of the European Patent Convention ... it is hereby declared that the following provisions of this Act, that is to say, ss 1(1)–(4), 2–6, 14(3), (5) and (6), 37(5), 54, 60, 69, 72(1) and (2), 74(4), 82, 83, 88(6) and (7), 100 and 125, are so framed as to have, as nearly as practicable, the same effects in the UK as the corresponding provisions of the European Patent Convention ... have in the territories to which those conventions apply.

The patent system has been around for a long time. In its modern form, it is an important component of industrial policy. The first two items in this chapter explore its role in industrial policy and the economics of the system. First, the patent system is justified in this article by Peter Aubrey, first published in 1984, at which time he was head of the patents department at Courtaulds plc. (Footnotes omitted.)

The patent system is not a spontaneous legal aberration but a set of laws and procedures evolved over a great length of time and tried and tested in the light of the experiences recorded by its users. The patent system can play a valuable role in the development of the national economy; its aims are of significant importance and the current system is probably the least objectionable means of attaining those aims.

Introduction

The objects of the patent system are to encourage invention and innovation and the growth of new industries. In doing so, it gives the consumer new choices and thus improves his standard of life, and creates new outlets for human activity. These are the primary objectives, and I know of no other. The system is called on from time to time to aid the pursuit of other ends for which it is ill-suited, and governments and the users of the system must share the blame for much of the criticism, not to say anathema, that is heaped on it. It forms a valuable source of information for those who understand it and know how to use it, but to many it deserves the Scotsman’s comment on the dictionary: ‘fine meaty reading, but a wee bit disconnected.’ Although the information is there to enable others to use the invention, it is in a form designed to support litigation.

Because it purports to grant a monopoly of a particular invention, the system is said to create monopolies of whole industries, though there must be very few companies who would claim to have dominated an industry by the use of patents alone. To become master of an industry demands technical, commercial and entrepreneurial flair, resources, determination and courage. No patentee could ever promise that his patent ensures unlimited freedom to use the patented invention. Disillusion can be painful.

Let us consider an ideal system for encouraging innovation and new industries. It would need to be simple – clear – quick – cheap – effective – fair – certain.
The original UK statute of James I was intended to deal with the iniquities of a system which, in favourable circumstances, had several of these virtues but was not fair. It probably worked in its way, certainly in helping Crown revenues. But the caprices of the Stuart and Tudor monarchies must have made the system hopelessly unpredictable. The patentee could buy some certainty; his rivals could not. No doubt the Parliament of the day felt that it had paved the way to a system which satisfied every criterion. However, once industrialisation became established and the system became administered by lawyers, complications multiplied and it has taken a whole series of Acts of Parliament to transform the system described by Charles Dickens in *The Poor Man’s Tale of a Patent*, into what we have today.

**An appraisal of the current system**

The system which has emerged is basically simple. If you want a patent you fill in an application form, write out a description of your invention and what it achieves, distinguishing it from any other solutions to the same problem known to you, and file it with the Patent Office, together with a fee. If what you say is true and the invention is as new and good as you claim, you get a patent and all you have to do thereafter is to pay fees annually to keep it in force for 20 years. This at least sounds as if it might satisfy the first four requirements of the ideal system and, effectiveness apart (of which more later), fairness and certainty become the issues.

However, despite the procedure’s basic simplicity, the complexity of modern technology and the speed at which it and national and international patent laws develop, oblige inventors to use specialists in technology and patent law to prepare these applications and to represent them in the Patent Office; and they in turn generally make use of similar experts in each foreign country where the invention is to be protected. Whereas the government fees in most countries do not generally represent a major item in the cost of commercialising an invention, cumulatively they become a substantial sum if a number of countries are involved. The renewal fees which have to be paid, generally annually during the life of a patent, mean an annual recurring and increasing burden, not large enough to be significant if the invention is successful, but which has the healthy effect of encouraging the abandonment of patent applications and patents which give weak protection or do not create a significant market. In addition there are the fees of the specialists, generally patent agents or patent attorneys, which in the early years of an invention often far exceed the official fees.

In the UK the Patent Office publishes a do-it-yourself kit for applicants, but comparatively few applicants make use of it, particularly when faced with the question of foreign protection. However, a determined and intelligent inventor of a reasonably simple invention should be able to prepare an application sufficient to secure a priority date if he is patient enough and can give time to it, even though he might find it wise to use professional help through the later stages. It is the priority date, that is, the date of first filing of the application, which adds to the economic problem by forcing on the inventor at an early

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1 The Statute of Monopolies 1624 (21 Jac 1, c 3).
stage the decision to apply and whether to make foreign applications. This is because, in most industrialised countries at any rate, the invention must be unpublished and inventive at the date of first application; and, to take advantage of this priority, foreign applications must be filed within one year. Particularly in technical fields where advance is rapid, priority is important. To provide a long period before initial filing so that the inventor may develop and test an invention and get the feel of the market, perhaps with an extended priority period between first filing and foreign filing, is an attractive proposition. However, the longer the period allowed for the inventor to make up his mind to patent, and to decide where to patent, the greater the doubts and uncertainties are for others working in the field. There seems to be little pressure form those who use the system to vary it at this point.

The two enemies of clarity are technology itself and the obscurities which are found in all laws which require expert interpretation. Even so, it is not difficult to get the general drift of the Patents Acts themselves, including the Act of 1977, once their structure is understood. For the expert, nevertheless, there are plenty of points which need interpretation. After hundreds of years of development, the system is sophisticated and no one would claim that it is entirely clear, but the layman is quite able to see what it is about.

Provided an inventor properly understands his invention and explains it adequately either to the Patent Office or to his patent expert, and provided the expert gives the application high priority and proper skill, initial protection for whatever is new and inventive is immediate on filing the application. The process of agreeing what exactly the invention is and defining it appropriately may take several years, depending again on an effective partnership between the inventor and his agent, and the extent to which the examiners in the Patent Office involve themselves in the process. Again, bearing in mind the complexity of technology and the requirements of the system, this need not be unreasonably protracted, provided the Patent Office can devote adequate staff expertise and diligence. To be fair a system must balance the interests of all those concerned; inventors and innovators, their competitors and the general public.

The Patents Act 1977 contains 132 sections; the first 38 deal with what can be patented and how. These sections are meant to ensure a fair balance between the interests of the inventor, his colleagues and competitors, the public at large, and the national interest. Almost all the rest of Part 1 of the Act (76 sections) is again concerned with the balancing of one person’s right against another. Part 2 deals with international arrangements which amount to fair dealing between nations, and Part 3 concerns various miscellaneous matters, a few also being concerned in some way with fairness.

Fairness involves give and take, safeguards, disappointments and arguments, and if a scheme is to be fair and to be seen to be fair, these must be taken into account. The more complex industry and society become, the more technology becomes involved in every area of life; the more business becomes international, the more checks and balances must be built into the system. This is the inevitable price we pay for fairness.
Does the system provide certainty? As with most of life, there is never absolute certainty. The act of invention itself creates uncertainty; is it the first, is it new, is it obvious; how wide is its application; how long will it be before it is superseded; is there a market, where, and how long should protection be obtained; and so on? An invention’s future depends on a whole chain of judgments, many highly subjective, by technologists, financial experts, professional advisers, officials, courts and others. Inventing and patenting is a risky business.

The patent system seeks to dispel some of the uncertainties, or at least to make them more acceptable. The novelty and inventiveness of an innovation depend on an assessment of the prior art, and no searching system, computerised or not, can guarantee that all the possible and admissible prior art has been searched. The legal requirements of various patent offices, as interpreted by officials, may give a good enough answer to justify the grant of a patent, but this is merely a right to go to court to have the right tested there. This places the defendant in a patent action at a considerable disadvantage and he must also bear the cost of interpretation. This can be particularly serious for small businesses, which cannot be expected to anticipate litigation.

Attempts have been made proposed to make the monopoly right absolute, making patentability unassailable once a certain time has elapsed. Although the patent cannot be attacked, an infringement must still be measured against it, and for this the patent must be interpreted. Large companies with sophisticated watching and searching systems can keep abreast of new patents more easily than small and medium-sized companies who do not have such facilities.

There have been proposals to link the certainty of the patent right to the finance available for its exploitation. This may be feasible in certain individual cases, but to do so for many thousands of inventions every year, even if the civil service in each country could administer it, allowing for problems of overlapping inventions, varying development programmes, and numerous other pitfalls which beset the inventor in a competitive world, would offer a prospect of administrative chaos and gross injustice. The system would virtually have reverted to the sale of monopolies, which even the Tudors and Stuarts, probably more robust than today’s politicians, could not tolerate.

Unfairness is the complaint of children. We grow to accept that life is often unfair, but to legislate for such a system when the realities were recognised would, to this writer at any rate, be inconceivable in the egalitarian society of today. Our common law still reflects its pre-Norman pedigree and we can still claim enough Saxon blood for the advice of Kipling’s dying Baron to be true:

The Saxon is not like us Normans. His manners are not so polite.
But he never means anything serious till he talks about justice and right.
When he stands like an ox in the furrow with his sullen set eyes on your own,
And grumbles, ‘This isn’t fair dealing,’ my son, leave the Saxon alone.2

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2 Rudyard Kipling, ‘Norman and Saxon’. 
Despite the uncertainties for the would-be patentee, the annual output of inventions for which patents are sought in the UK is now between 30 and 40,000, nearly half of which originate abroad. This suggests that patentees regard the many uncertainties of the patent system as risks which in an entrepreneurial society are worth taking. Businessmen spend their lives taking risks; so do their competitors. Nothing they decide is based on absolute certainty. Even in a one-horse race the horse may run off the course or fall down and not finish.

Many writers on patents concentrate on the system as it affects inventors and patentees, just as though it was a private right like the right to cultivate one’s garden as one wishes, hedged in and protected by the walls and fences which surround it. However incontestable a right to land may become, a patentee who has by the exercise of his intellect and the professional efforts of his advisers, succeeded in staking a claim in a field of technology, has to accept the right of his neighbours and competitors to test the strength of his claim, the fence he has erected, and to ask whether he has put it in the right place. He may have been greedy and have to shift his markers to make room for others. He may have to share it. And those others must have the right to confront him over this.

Far too often when ideas and schemes are mooted to make the patent system, or some other system giving economic inducements to innovators, more attractive to the inventor, third party interests are forgotten. No patent system worthy of the name should do so. Third parties need to know whether and when something is happening which will affect their business. The patent system does not operate to enable patentees to damage their competitors’ legitimate business interests directly, merely to give them a competitive advantage and to provide remedies if this privilege is abused.

The modern patent system as it is developing in the UK provides for immediate publication of the name of the applicant and the title of his invention, to be followed later by publication of the specification together with details of the search which has been carried out. Third parties affected have the right to intervene if they have information which is relevant to the application, and after grant they have the right to attack the validity of the patent grant. The life of the monopoly is strictly limited, generally to 20 years, and to achieve this the patentee must pay annual fees which may contribute to the economic viability of the Patent Office and also discourage continuing the life of a patent which the patentee does not need. There are also more or less elaborate provisions for curbing abuse of patent rights and to protect third parties against unfair use of them. When the patent is terminated for whatever reason, what is described in it becomes available for general use and exploitation.

**The patent system: a balance of interests**

All these provisions represent a complex balance of the interests of the patentee and of third parties, including the consumer who looks to the patent

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system to provide new, cheaper or improved commodities and a general enhancement of the standard of living. The public also look for new activities and employment to replace ones which have become redundant, often as a result of innovations which reduce the direct labour content of products and services. The intrinsic uncertainties seem to be no worse, and given proper information and advice may often be more predictable, than those in other aspects of modern industry and commerce.

By the use industry makes of the patent system and the attitude of industrialists to the use their competitors make of it, it would seem that the risks are acceptable and outweighed by the benefits. In fact, in the many and intricate webs of relationships in modern industry, patents are one of many factors which enter into these relationships and fall to be considered when decisions are being taken. This may be the determinative factor, or sometimes may be ignored, but their practical effect is well understood by today’s managers.

At any moment in any industrial country there will be more than a quarter of a million patents in force; many of these inventions will never be worked. Discussion of the reasons for this would be inappropriate here. The remainder afford protection to the patentee’s own operations and those of his licensees, provide an incentive and vehicle for licensing and royalty income, and a weapon against infringers.

Litigation and the patent system

One of the problems which besets the patent system, particularly in the UK, is the cost in time, money, energy and management resources, of becoming involved in patent litigation. In fact this is less a fault of the patent system than a consequence of the system of administering justice. UK patent law, particularly since the 1977 Act, is now very similar to the laws of other western European countries, although the judicial systems and the way in which cases are tried vary widely. None of these countries has an entirely satisfactory system, which is not surprising considering the extent and complexity of the issues to be tried, but the British system, despite genuine efforts to be expeditious without avoiding the issues and to give litigants every opportunity to present their case in all its aspects, leaves our continental colleagues aghast. They take months to prepare a case for trial, and the trial takes a day, whereas we spend years in preparation and weeks at the trial. And at the end the decision is no more likely to leave the parties with a feeling that justice has been done than in a case tried on the continent. Judges do their best, but the system allows parties to pursue largely irrelevant issues.

A system which denies patentees or defendants recourse to the services of the court, because of its daunting cost, so that they give up however convinced they are of the soundness of their case, cannot be called fair, or satisfactory. We should apply bold remedies, taking some leaves out of the continentals’ book, adding some of our own, and even be prepared to experiment with less scrupulous standards and a more imaginative approach to the use of technical experts. Only by doing so are we going to surmount this obstacle.
Patents and the developing countries

Conclusions
The patent system as it operates in the industrialised free-enterprise nations is the product of a long and sometimes painful process of evolution to a form which, in the view of this writer, goes a long way towards meeting the needs of inventors, innovators, industry and the consumer in those countries. It does what it sets out to do. The enforcement of patent rights remains a problem, but this is a problem of the judicial system rather than of patent law.

As with other types of intellectual property, the patent system is concerned with giving protectable and exploitable property rights to people who create something of use to society. The patent system gives an incentive to inventors: without it they would be unable to earn a return for their inventive efforts. The economics of the patent system are explained in this piece by D P O’Brien. (Footnotes omitted.)

Introduction
Patents, a mercantilist invention, have been a matter of concern to economists at least since Bentham, and the 19th-century economist and politician Robert Lowe was prominent in a movement for the abolition of these devices. Economists have, however, generally taken a utilitarian attitude towards patents; they are justified as a form of property which, if rights in it are respected, yields benefits to society as a whole. The matter is not, however, trivial; the level of patent activity in both Britain and the US is very high with Britain only second to the US in the absolute number of patents granted.

It is embarrassing to report that much of the economic analysis of patents has been on the basis of an assumption of perfect knowledge, an assumption which is singularly inappropriate to the uncertain world of the inventor and the innovator. This is true of otherwise important work on patents by Plant, Arrow, and Usher. The latter puts forward a number of very interesting propositions – any commercially profitable invention confers a net benefit on the community as a whole; the patent system causes underproduction of the newly invented product; some inventions are worth undertaking to the community as a whole even though they are unprofitable under the patent system; too much competition exists in profitable inventions. Unfortunately these propositions relate to a Pareto world of perfect knowledge with a Pareto optimum as a welfare standard. Similarly, Nordhaus has restricted himself to a world without uncertainty and then developed an excellent formal analysis which yields very little unless we know the elasticity of demand for a product (thus excluding products not already invented) and the slope of a purely hypothetical invention function. This approach has sometimes led economists rather far astray into the positing of some ideal socialist alternative (dubbed the ‘nirvana approach’ by Demsetz, who points out that it is also necessary to specify the institutional arrangements which would be found under socialism) and to making, at least implicitly, the very strange assumption that risk is
confined to free market economies. All this is strictly academic, in the most unfortunate sense of that term for, as Demsetz remarked: ‘a Pareto norm ... lends itself to static analysis of allocation but ... is poorly designed for analysing dynamic problems of production.’

The economic benefits of patents

More generally the economic literature concerning patents has recognised a wide range of advantages and disadvantages stemming from their existence. Even those who believe invention to have an important element of spontaneity accept that the expense of innovation in a risky world can justify the granting of a temporary monopoly to give some protection from rapid imitation which would prevent recovery of development costs. Moreover the very fact that a patent has to be registered and made public leads to a dissemination of technical knowledge. This is a beneficial externality made available by the patent system and must be counted among its benefits together with the externalities of a level of research and development expenditure which is not artificially depressed as it might be without patents.

Of course the very grant of the monopoly involves, once the invention/innovation has been made, some welfare losses: even so, any cost reductions free resources even where the product is monopolised, and there will normally be an increase in that measure of economic welfare which economists refer to as consumer surplus. New and superior products emerge. The objection that a temporary monopoly will result in a price greater than marginal cost has not much force if the product concerned would, but for the existence of the patent system, not otherwise be available at all. The monopoly is only temporary; and the knowledge on which it is based is made publicly available. Moreover research indicates that firms deprived of patent rights through anti-trust judgments reduce their patenting relative to unaffected firms, thus suggesting clearly that the patent system does in fact encourage disclosure. The publication of this information, together with a bar to its immediate use by competitors, may stimulate further technical progress through a desire to find a way around the patent. The temporary monopoly itself provides super-normal profits which can be used by the original patent-holder as the basis for further product development expenditure.

Of particular importance here is the idea that a patent system provides protection for small firms, yielding both bargaining counters and sources of royalties as well as, and most importantly, protection from economically more muscular organisations during the vital stage of market innovation. This is particularly important since the once fashionable view that large firms could be relied on to produce inventions and innovations routinely is clearly no longer tenable. Indeed there seem to be significant disadvantages in bigness, with any risk-pooling advantages being more than offset by the exhaustion of the advantages of specialisation, the loss of economic stimulus and sheer bureaucratic inertia. This is not particularly surprising; while the case against monopoly, with respect to innovation, has undoubtedly been overstated in some respects, bureaucracies, because of the penalties and rewards facing the bureaucrats, are naturally circumspect, with adverse effects on innovation. While large firms may have high levels of research and development
expenditure, at least up to certain concentration levels, much of this may be of a not very productive, self-protective nature, and the output of research results by small firms and individuals is proportionately (in relation to R&D expenditure) much larger than for big firms.

Finally, the knowledge protected by a patent is only temporarily monopolised, and with the expiry of the patent it eventually becomes public property, enabling its benefits of non-excludability and non-competition in consumption to be realised. Patents confer monopolies but they do not do so in perpetuity.

**Economic costs of patents**

Against all this, however, there is a widespread recognition of a multitude of costs associated with the patent system. First, it temporarily removes knowledge which is a ‘public good’. Second, patents involve the creation of a temporary monopoly for a new product, a tendency strengthened by the ‘first past the post’ principle which has played a part in the development of some historical monopoly positions. On the way to such positions palpable injustices are perpetrated. The temporary monopoly positions involve very large (up to 90%) margins on sales where a product is priced monopolistically, and limit-pricing may be adopted where a firm has patented a process innovation. The firm with the patent is, either directly or through licensing with quotas, able to pursue classic monopoly profit-maximisation and the proceeds of this procedure may be used to finance extensions of the patent which are of no real consumer benefit, as well as the building up of patent portfolios which provide the means of blocking the use of patents by other firms. Possession of such market power may enable firms to bargain with others over cross-licensing or even to create a patent pool. This in turn can lead to implicit collusion (limiting licences to those strong enough to contest patents) or even (when price provisions are associated with the patent licence) to the creation of a cartel. Licences may be granted on a highly restricted basis and leading industrial economists believe that in this and other ways patents have been a force leading to significantly increased concentration. It is certainly true that market power, once possessed, can be further buttressed by the use of tie-ins and the financing of advertising as an entry barrier. Moreover the market segmentation which patents permit allows forms to practise price discrimination; although the welfare effects of this may be ambiguous, even in static terms, there have certainly been some cases which have brought forth unambiguous condemnation from anti-trust authorities.

Moreover, although patents are supposed to protect small firms, these firms in fact be crushed by the cost of patent litigation. There is indeed a predatory potential of patent harassment and small firms may not be able to afford to challenge larger ones. There are also quite extraordinary delays; as one commentator has pointed out, patents can expire before litigation is complete. More generally in this connection it may be observed that the cost of the patent system is enormous, being estimated at 330 billion dollars for the US at 1978 prices, while patent examination is still widely regarded as perfunctory. However, these last considerations may equally well be interpreted as an argument for reform of legal processes – as suggested in the Green Paper – rather than for abolition of the patent system altogether.
Alternatives to patents

Faced with a system which involves both recognised costs and recognised benefits, two questions arise: (1) do we need some kind of market restriction to obtain the benefits mentioned above, and (2) is the patent system the best method of restriction?

The most fundamental consideration under the first heading is whether there is a supply price of invention and of innovation so that the amount of invention and innovation will increase if the prospective reward is increased through the availability of a temporary (patent) monopoly. Economic literature has traditionally distinguished between autonomous and induced invention or, in more recent terminology, demand-induced and supply-induced inventions and innovations. While it is undoubtedly true that many inventors regard the patent system as unimportant, and that biological inventions cannot be patented (a fact of which critics make much, despite the very different nature of biological research), the balance of evidence indicates two things. First, that technical progress is not exogenous but is determined by economic forces; second, that for a significant minority of inventors, let alone innovators, the patent system is of real importance. This is not surprising: other areas of economic literature involving public goods would indicate the likelihood that ‘freeloading’ (benefiting from somebody else’s expenditure without contributing one’s own) will reduce output – in this case, research output. This is of particular importance with respect to innovation. While case studies may produce examples of important inventions which have been made apparently independently of the rewards available under the patent system, the very process of innovation, involving a substantial investment under conditions of considerable uncertainty, would suggest that any device which reduces that uncertainty will increase the willingness of firms to innovate. A market restriction on competition, such as a patent, will reduce the risk that prospective earnings from the invention or innovation will be quickly competed away and will thus, by increasing the likely return, encourage both invention and innovation.

If some kind of restriction such as a temporary monopoly is needed, does this require a legal form? Or are there sufficient built-in barriers to imitation in the market? It’s perfectly true that imitation is usually delayed: the advantages of competitive product leadership may provide an incentive to R&D expenditure; there is usually a limited number of potential imitators; and there may be other considerations, such as those of minimum-efficient scale, which ensure that the first firm remains the only firm. Unfortunately, this is probably not enough, even in total. The rate of imitation becomes an extra decision variable for a potential innovator, and only patents can deal with this. Small firms in particular may be more vulnerable to imitation if they rely on market lags. To begin with, they do not possess market power; and their staff may be bid away by affluent firms which do have market power.

This leads to the neglected but important question of the labour market implications of relying on secrecy rather than patents. The chances are that, without the protection of a patent system, labour market contracts would become ever more restrictive in an attempt to prevent key personnel from defecting with their technical knowledge. Even if reliance on employees’
secrecy was satisfactory for the vast majority of innovations and if the labour market and other aspects, including the complete denial of the public good aspects of knowledge and the removal of incentives to invent round a patent could be ignored, there still remains the problem that not all inventions are equal and it may be the key ones which are the product of the vulnerable small firm. It was in fact a small firm which eventually took on the development of the Xerox process.

It thus seems likely that some form of artificially induced reward seems necessary, which leads to the question of whether it is possible to devise a better reward than the grant of a temporary monopoly. One school of thought favours State rewards. Since this is the system used in the Soviet Bloc, which is notoriously backward technologically, the advocates of this need to explain what other aspect of the Soviet system is responsible for the poor performance. Such explanation seems to be lacking. In fact a system of rewards seems to involve insuperable difficulties in determining the appropriate reward and also distribute unfairness since taxpayers would pay for a product in which they might have no personal interest. Most of the objections put forward by writers like Polanyi to the legal use under the patent system of such concepts as ‘novelty,’ ‘utility’ and ‘invention’ would apply a fortiori to the award process. There are considerable advantages in this context of a market test compared with committee appraisal – the analogy of literary prizes seems appropriate here.

Another school of thought, undeterred by the problems of bureaucracy and lack of criteria for selection of research topics, suggests greater government research. Of course government may in fact be even more risk-averse, but for different reasons, than the private sector and as Demsetz observed, ‘Whether the free enterprise solution can be improved upon by the substitution of the government or other non-profit institutions in the financing of research cannot be ascertained solely by the free enterprise solution’. While government may have an important role to play in basic research, the history of government innovation (such as Concorde) is not particularly encouraging.

Most economists thus come round to the view that there is no obviously satisfactory prospective substitute for the patent system and that a better approach might be to concentrate upon reform of that system.

Patent reform

Some of the changes to the present rules which have been suggested include limiting full use of the system, similar to the German two-part system of minor (short term) and major patents (recommended in the Green Paper); adoption of a system of registration which would have the effect of preventing somebody else patenting in advance; and steeply rising annual renewal fees in order to encourage those with patents to let them lapse. In this connection, one widely canvassed reform is a variation in patent term. Economists have frequently suggested a shorter term. Nordhaus, concentrating on cost-saving innovations, has suggested that big savers have a short payback period and therefore a shorter patent term is required. The trouble with this argument is that the variance may increase with the size of the potential saving. By contrast the British Banks Committee (1970) suggested an increase in life from 16–20 years;
but no real justification for this was put forward except expression of the belief that ‘there is some foundation’ for the view put to the committee in evidence that more time and money are now required to develop inventions. Nonetheless this recommendation was implemented.

Most attention, however, has been focused on reducing the amount of market power yielded by the present system. Compulsory licensing has been suggested by a number of writers and is recommended in the Green Paper. Unfortunately it seems clear that this would lead to greater secrecy, that it could well reduce research, at least in some key areas, and that it not only makes the strong firms help the weak, but also vice versa.

Another suggestion is that patents should be terminable once a normal profit has been earned on the innovation. This is a rather unfortunate suggestion since it is only the prospect of an abnormal reward which induces firms to undertake the risk in the first place when all is uncertain.

However, compulsory licensing may be (and has been) used as an alternative to divestiture proceedings under anti-trust law; and it is to use of the anti-trust laws that many economists look for a limitation of the market power associated with patents. About 12.5% of the cases brought by the Anti-trust Division of the Department of Justice in the US in the years 1890–1965 involved patents. American anti-trust proceedings have been directed against the building up of patent portfolios, and proceedings can be taken under s 2 of the Sherman Act dealing with monopolisation. Action has been taken against tying sales of unpatented articles to sales of patented articles, against the inclusion in licences of conditions which run beyond the life of the patent, and of attempts to use the price fixing provisions permitted by a patent to cover articles which are not themselves patented even though they incorporate some patented items. The operation of a patent pool has been circumscribed with respect both to the price fixing which may take place and also to the market sharing and exclusionary conditions which may be attached to licences. Possible misuse of a patent leaves the patent-holder open to easier challenge of the patent itself, and the equity provision that patent rights will not be enforced in clear cases of abuse. The patent-holder is also vulnerable to triple damage actions where a patent has been abused, and to compulsory licensing.

In Britain there has been no such boldness. Although under s 126 of the 1973 Fair Trading Act the Comptroller of Patents may issue compulsory licences on application by a minister following an adverse report by the Monopolies Commission (relating whether to a monopoly or a merger), this power has not been used. Indeed, since it was not used (although a similar power under the Patents Act 1949 had been used earlier) in the well-known case involving Hoffman-LaRoche and the tranquillisers Librium and Valium, it is difficult to envisage circumstances under which it would be used. Again, although patent pools involving more than two firms are registrable under the 1973 Act, there is no sign of proceedings under the Act concerning such a registered agreement and one of the cases which came successfully through the Restrictive Practices Court involved the patent pool operated by the permanent magnet manufacturers.
Nevertheless, for those concerned about possible misuse of patents within the UK, this line of development seems one of the most promising. The American experience provides plenty of precedents, and the Monopolies Commission has itself noted cases in which patents have been used to establish very protected positions. In terms of the UK legislation one development possible immediately would be the extension of the concept of anti-competitive practice, under the Competition Act 1980, to include misuse of patents, as it already includes anti-competitive use of copyright.

**Conclusion**

While it is undeniable that the patents system does impose costs, very few economists, at least in this century, have been prepared to recommend its abolition. As Mansfield puts it:

Do the benefits derived from the patent system outweigh its costs? Like many broad issues of public policy, the facts are too incomplete and too contaminated by value judgments to permit a clear-cut, quantitative estimate of the effects of the patent system. Nonetheless, with or without such an estimate, it is impossible to avoid the relevant policy issue, and when confronted with it, there are few leading economists, if any, who favour abolition of the patent system. Even those who publish their agnosticism with respect to the system’s effects admit that it would be irresponsible, on the basis of our present knowledge, to recommend abolishing it.

This indeed seems to have been the verdict of economists since the 19th-century controversy referred to in the introduction. The patent system after all has one very significant advantage: the reward which it yields is, in a significant sense, a market reward, and a market test is a better one than a committee test – as the difficulties of Chain and Florey in obtaining funds from the Medical Research Council for the development of penicillin bear witness. The market reward is certainly not perfect; but it is one better calculated to optimise the rate of invention and innovation than any other which is conceivable. Although there is undoubtedly a strong case for the use of competition policy to monitor and where necessary to modify the enjoyment of patent rights and while there is certainly a need for further empirical studies, the cautious acceptance by economists at large of the patent system as a whole seems justified.

**OBTAINING PROTECTION**

There are three ways to obtain UK patents:

(a) apply under the 1977 Act;

(b) apply under the EPC, specifying the UK as a country in which a patent is desired; at the end of the process, if successful, a European Patent (UK) will be granted identical to an ordinary UK patent (s 77);

(c) make an international application under the Patent Co-operation Treaty for a UK patent (s 89).
The Community Patent Convention will make it possible to obtain a European Patent under the EPC procedure which is valid throughout the European Community. However, not all Member States have been able to ratify the convention to date, so it will be delayed or may come into operation with less than all the 15 Member States.

The EPC had 17 members at 1 January 1996: 14 EC Member States (not Finland), Switzerland, Liechtenstein, and Monaco. In addition Slovenia, Lithuania, Latvia, Romania and Albania have arrangements enabling national patents based on EP applications to be readily obtained.

Ownership

The ownership of a patent is dealt with in s 7 of the Act, which provides:

7(1) Any person may make an application for a patent either alone or jointly with another.

(2) A patent for an invention may be granted:

(a) primarily to the inventor or joint inventors;

(b) in preference to the foregoing, to any person or persons who, by virtue of any enactment or rule of law, or any foreign law or treaty or international convention, or by virtue of an enforceable term of any agreement entered into with the inventor before the making of the invention, was or were at the time of the making of the invention entitled to the whole of the property in it (other than equitable interests) in the UK;

(c) in any event, to the successor or successors in title of any person or persons mentioned in paragraph (a) or (b) above or any person so mentioned and the successor or successors in title of another person so mentioned; and to no other person.

(3) in this Act ‘inventor’ in relation to an invention means the actual deviser of the invention and ‘joint inventor’ shall be construed accordingly.

(4) Except so far as the contrary is established, a person who makes an application for a patent shall be taken to be the person who is entitled under subsection (2) above to be granted a patent and two or more persons who make such an application jointly shall be taken to be the persons so entitled.

PRIORITY

The priority date of an invention which is the subject of a patent application, and of any matter contained in the application, is a concept of crucial importance. This date is the date on which the application is filed, or an earlier date (within the previous 12 months) on which an application was filed in the UK or abroad which disclosed matter which supports the later application (‘the application in suit’) (s 5).
Lord Oliver explained the operation of the priority system in the *Asahi* case:

My Lords, the genesis of s 130(3) is to be found in Article 4(4) of the Paris Convention, as revised after the London Revision Conference of 1934. Article 4 is an article specifically concerned with priority of applications and provides (in Article 4C) for a priority period of 12 months from the date of filing of a first application. Article 4A provides, so far as material:

1. Any person who has duly filed an application for a patent ... in one of the countries of the Union, or his successor in title, shall enjoy, for the purpose of filing in other countries, a right or (sic) priority during the periods hereinafter fixed.

2. Any filing that is equivalent to a regular national filing under the domestic legislation of any country of the Union ... shall be recognised as giving rise to the right of priority.

3. By a regular national filing is meant any filing that is adequate to establish the date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application.

Article 4F precludes refusal of priority on the grounds that an application contains one or more elements that were not included in the application whose priority is claimed, provided that there is unity of invention within the law of the country. The article goes on to provide, however, that with regard to those elements not included in the application whose priority is claimed, the filing of the subsequent application shall give rise to a right of priority under ordinary conditions.

Article 4H appears to be designed to cater for (inter alia) the case where the law of the country of application does not require claims to be made or claims to be precisely formulated. It provides:

> Priority may not be refused on the ground that certain elements of the invention for which priority is claimed do not appear among the claims formulated in the application in the country of origin, provided that the application documents as a whole specifically disclose such elements.

Thus, far from this provision being designed to elevate claims, however framed, to the level of a separate disclosure, the purpose appears to have been precisely the opposite, that is to say, to compel attention to the disclosure contained in the application as a whole. Section 69(2) of the Act of 1949 gave effect to this in the following way:

> For the purpose of this Act, matter shall be deemed to have been disclosed in an application for protection in a convention country if it was claimed or disclosed (otherwise than by way of disclaimer or acknowledgment of prior art) in that application or in documents submitted by the applicant for protection in support of and at the same time as that application; but no account shall be taken of any disclosure effected by any such document unless a copy of the document is filed at the Patent Office with the convention application or within such period as may be prescribed after the filing of that application.
The important word here, as it seems to me, is the word ‘matter’. In order to be deemed to be disclosed, the ‘matter’ must either be claimed or disclosed in the application itself or in documents submitted with it, but there is nothing in the section which can legitimately be construed as indicating that the disclosure is deemed to cover anything more than the matter (whatever it is) which is actually contained in the claim or in the body of the application or other document. As I understand the section, all that it is saying is that, in looking at what is disclosed by the application, one is entitled to look not simply at the description in the specification but also at the contents of the claim or of any other document filed with the application. It is concerned not with the content of disclosure but with its location and identifies the claim as a place where the extent of the disclosure can be sought. It does not accord to that which is found in the claim any higher status than that accorded to information contained elsewhere in the application or in any other supporting document or in a claim made in such supporting document.

In the Court of Appeal, reference was made to the decision of Lloyd-Jacob J in *E I Du Pont de Nemours & Co’s Application* (1954) 71 RPC 263, in which he referred to the subsection as expressing ‘a distinction between matter claimed and matter disclosed.’ The argument, as I understand it, is that this leads to the conclusion that the claim in an application is deemed to constitute a disclosure of the matter on which it is based even though it does not itself disclose that matter and the matter is not disclosed elsewhere in the specification, with the result, so far as the instant case is concerned, that a claim to an invention based on a specified formula ‘discloses’ (and thus makes part of the state of the art) not only the formula but the invention itself – in this case the compound which, because claimed as the product of the formula, carries with it into the state of the art not merely a claim that there is (or can be) a product composed according to the formula, but the very product itself (whether or not it has ever been produced in fact). What was said was that, although the Act was intended to give effect to the convention, so that the principle of *The Jade* [1976] 1 All ER 920, 924, applies and the statutory language falls to be construed in the same sense as the convention if it is reasonably capable of being so construed, nevertheless in this case the language of s 130(3) differs from that of Article 88(4) and is not reasonably capable of being construed so as to do no more than that which was effected by that article. The foundation for this was said to be the *Du Pont* case just referred to.

It has, however, to be recalled that the section which Lloyd-Jacob J was considering was enacted in the context of an Act which provided for the filing of a provisional specification and which provided in s 32(1)(1) for the revocation of a patent on the ground that it was not ‘fairly based’ on the matter disclosed in the specification. It was the task of the examining officer to determine whether the claims in the completed application were fairly based not on the claims in the provisional application (of which there might be none) but on the specification. Convention applications required special treatment and s 5(4) of the Act of 1949 provided for the ascertainment of fair basis not by comparison with a specification but with ‘matter disclosed in the application for protection in a convention country’. It was in that context that s 69(2) fell to be construed. The *Du Pont* case related to a complete specification claiming
priority from a convention application and relating to a process of chemical manufacture ‘at a temperature above 150˚C’. Examples were given of manufactures at temperatures of 180˚C or 190˚C. The application was opposed on the ground that it was not fairly based on the convention application which had exemplified manufacture at temperatures between 150˚C and 210˚C and contained claims limited to manufacture within that bracket. The argument for the opponents was that, since this was a convention application, s 5(4) and s 69(2) compelled the application to be read as a single description combining specification and claims in one so that disclosure was limited to a process at a temperature within the bracket to which the claims had been limited; and it was in the course of rejecting that argument that Lloyd-Jacob LJ (sic) used the words quoted above. When the judgment is read as a whole, however, his meaning becomes clear. He went on to say, at 267:

It is not that the claims in a convention application are assimilated to the general disclosure in the body of the specification, but that they are deemed to constitute a disclosure of their own, so that, if another claim may be fairly based upon them, the applicant is entitled to priority therefore. This he secures in addition to his right to seek claims based fairly on the disclosure in the body of the specification for which he may claim the date to which his original application for patent protection entitles him. He went on to hold that the claim in the complete specification was fairly based on the body of the convention application and that the claims, with their express limitation, could not he treated as a general disclaimer of anything outside the exemplified bracket. I do not find this case to be authority for any proposition beyond this, that if, in a convention application, there is disclosed in the claims matter additional to or independent of that contained elsewhere in the application documents, that disclosure may be looked at, either alone or in conjunction with disclosure elsewhere, for the purpose of determining whether a subsequent claim is fairly based. We are, of course, no longer concerned with the question of fair basis but with the construction of s 130(3) in the context of the Act and the convention it is not one of the sections specifically referred to in s 130(7) as intended to have the same effect as the corresponding provision of the convention, but ss 2 to 6 are so referred to and s 5, in turn, is specifically referred to in s 130(3). It is quite true that the wording of the section differs from that of Article 88(4) but I do not find any significant difference of meaning. The article directs attention to the application as a whole for the ascertainment of what is disclosed. Section 130(3) does the same thing by adopting, no doubt conveniently, much of the wording of the previous s 69(2) and directing attention specifically to disclosure contained in the claims as well as in the body of the application but I cannot, for my part, regard it as going further than that or as having the effect attributed to it either by the judge or by the Court of Appeal. The effect of their construction is to attribute to a claim to a chemical compound in a priority document the effect of disclosing the compound itself although essential ancillary matter necessary to support the claim is nowhere disclosed in terms. As the appellant has pointed out this not only conflicts with the approach of the European Patent Office to the corresponding article in the convention but has the curious result that, by putting information in a claim, an applicant can achieve a more far-
reaching priority than that to which he would be entitled by putting exactly the same information in the body of the application.

APPLICATION

An application has to be made on an official form, and must be accompanied by the appropriate fee (s 14(1)). Lord Oliver’s judgment in Asahi reviews the statutory requirements of a patent application:

Turning to the substantive provisions of the Act, s 1 lays down the essential qualities required for patentability, the first of which is that the invention is new. The extent of an ‘invention’ is defined in s 125(1) in the following terms:

For the purposes of this Act an invention for a patent for which an application has been made or for which a patent has been granted shall, unless the context otherwise requires, be taken to be that specified in a claim of the specification of the application or patent, as the case may be, as interpreted by the description and any drawings contained in that specification, and the extent of the protection conferred by a patent or application for a patent shall be determined accordingly.

The expression ‘a claim of the specification of the application’ is explained by reference to s 14 which lays down the formal requirement for making an application for a patent. Subsection (1) requires the application to be in a form prescribed by rules and for the payment of a filing fee and the required contents of the application are set out in subsections (2), (3) and (5) which provide as follows:

(2) Every application for a patent shall contain:
(a) a request for the grant of a patent;
(b) a specification containing a description of the invention, a claim or claims and any drawing referred to in the description or any claim; and
(c) an abstract;
but the foregoing provision shall not prevent an application being initiated by documents complying with s 15(1) below.

(3) The specification of an application shall disclose the invention in a manner which is clear enough and complete enough for the invention to be performed by a person skilled in the art ...

(5) The claim or claims shall:
(a) define the matter for which the applicant seeks protection;
(b) be clear and concise;
(c) be supported by the description; and
(d) relate to one invention or to a group of inventions which are so linked as to form a single inventive concept.

It is obvious from these provisions (which broadly mirror the provisions of Article 78 of the convention) that the preparation of a full application,
involving as it does the preparation of an abstract of technical information and the formulation of claims which delimit the extent of the monopoly applied for and need to be framed with care and precision, is an exercise requiring care, skill and the expenditure of considerable time. That is underlined by reference to the rules which prescribe such things as the size and presentation of documents and the format of technical drawings. It is recognised that an inventor should not be inhibited from claiming and exploiting his invention at the earliest possible date by the necessity for complying with all the technical requirements of the Act and the rules, with the consequent risk of losing his priority as against possible co-pending applications. Accordingly both the Act and the convention make provision for the filing of material which may not fully comply with all the formal requirements but which will enable the scrutinising authority to allot a filing date which can then be relied upon as fixing the priority of the application so long as the full formalities are completed within a limited time thereafter.

This function is performed by s 15 of the Act, the scheme of which is to permit an application to be initiated by filing at the Patent Office documents fulfilling certain minimum conditions but not complying with all the detailed requirements of s 14 or the rules (for instance, because they do not formulate claims or provide an abstract or because they are not on paper of the requisite dimensions). The effect on such filing is to fix, for priority purposes, the date upon which the application is made and to enable the completed documents, when prepared and filed in accordance with the rules, to date back to the date of the first informal filing. Section 15(1) provides as follows:

The date of filing an application for a patent shall, subject to the following provisions of this Act, be taken to be the earliest date on which the following conditions are satisfied in relation to the application, that is to say:

(a) the documents filed at the Patent Office contain an indication that a patent is sought in pursuance of the application;
(b) those documents identify the applicant or applicants for the patent;
(c) documents contain a description of the invention for which a patent is sought (whether or not the description complies with the other provisions of this Act and with any relevant rules);
and
(d) the applicant pays the filing fee.

Subsections (2) and (3) deal with drawings and provide, in summary, that, if drawings are filed after the original filing date, the applicant has an option either of having the application treated as one made without drawings or of having the filing date of the application postponed to the date of filing the drawings. These provisions underline the legislative purpose, which clearly emerges from subsection (4), that the section is concerned to give a breathing space for completion of the formalities and the interim preservation of priority, and not to provide a cover for making improvements in the disclosed invention by bringing in new material not covered by the disclosure whilst preserving for it the priority conferred by the original filing date. Sections 18
and 19 contain provisions enabling an applicant to amend his application, either on the requirement of the Comptroller or on his own volition and s 15(4) entitles him, if he wishes, to file, whether by way of addition or substitution, a new application as having the filing date of the original. A single patent can relate to only one inventive concept. Thus if an applicant finds, for instance, that the description in his application discloses two separate inventions, he can, whilst still pursuing his original application, file a further application for a patent in respect of the additional invention disclosed and retain for it the date of filing of the original application. Subsection (4) provides as follows:

Where, after an application for a patent has been filed and before the patent is granted, a new application is filed by the original applicant or his successor in title in accordance with rules in respect of any part of the matter contained in the earlier application and the conditions mentioned in subsection (1) above are satisfied in relation to the new application (without the new application contravening s 76 below) the new application shall be treated as having, as its date of filing, the date of filing the earlier application.

Finally, a time limit for complying with the provisions of s 14 by filing claims and an abstract and applying for a preliminary examination of the application under s 17 is imposed by subsection (5) which provides that an application which has a date of filing by virtue of the section is to be taken as withdrawn at the end of ‘the relevant prescribed period’ unless before the end of that period the applicant files both claims and an abstract and also requests (and pays for) a preliminary examination and search under s 17. The ‘relevant prescribed period’ is currently 12 months (Patent Rules 1990, rule 25).

It is to be noted, however, that the liberty to file a further application having the same filing date and the power to amend conferred by ss 18 and 19 of the Act are both subjected expressly to the provisions of s 76 of the Act. This is a section which assumes a particular importance in the instant case having regard to certain observations in the Court of Appeal to which it will be necessary to refer in considering the course that these proceedings have taken. Since the hearing before the Court of Appeal s 76 has been replaced by a new section having substantially the same effect as the original (Copyright Designs & Patents Act 1988, schedule 5). In its original form it provided as follows:

(1) An application for a patent (the later application) shall not be allowed to be filed under s 8(3), 12, or 37(4) above or as mentioned in s 15(4) above, in respect of any matter disclosed in an earlier application or the specification of a patent which has been granted, if the later application discloses matter which extends beyond that disclosed in the earlier application, as filed, or the application for the patent, as filed.

(2) No amendment of an application or the specification of a patent shall be allowed under any of the provisions of this Act to which this subsection applies if it:
   (a) results in the application or specification disclosing any such matter; or
   (b) (where a patent has been granted) extends the protection conferred by the patent.
Subsection (2) above applies to the following provisions of this Act, namely ss 17(3), 18(3), 19(1), 27(1), 73 and 75. Neither s 15 nor s 76 is specifically mentioned in s 130(7) nor are they in terms which precisely reflect the terms of the convention. The convention does, however, contain a provision (Article 80) which broadly conforms with s 15(1) save that it requires a claim or claims to be made in order to secure a filing date and requires in addition that the filed documents designate at least one Contracting State as a country in which protection is sought. Similarly, Article 123(2), though not reflecting precisely the terms of s 76, provides expressly that:

A European patent application or a European patent may not be amended in such a way that it contains subject-matter which extends beyond the content of the application as filed.

There is thus a broad consonance between an application under the convention and an application under the Act and s 77 effectively accords to a European patent granted under the convention and designating the UK (‘a European patent (UK)’) the same status as a patent under the Act. S 78 provides that an application for a European patent (UK) having a date of filing under the convention is to be treated for the purposes of ss 2 and 5 as an application for a patent under the Act having that date as its date of filing. A declaration of priority made in connection with such an application is likewise to be treated as a declaration made under s 5(2) of the Act.

Section 15 is an administrative provision which does no more than provide for the ascertainment of the filing date of an application. It does not deal with the priority which can be claimed as a result. That is provided for in s 5 of the Act the material terms of which for present purposes are as follows:

(1) For the purposes of this Act the priority date of an invention to which an application for a patent relates and also of any matter (whether or not the same as the invention) contained in any such application is, except as provided by the following provisions of this Act, the date of filing the application.

(2) If in or in connection with an application for a patent (the application in suit) a declaration is made, whether by the applicant or any predecessor in title of his, complying with relevant requirements of rules and specifying one or more earlier relevant applications for the purposes of this section made by the applicant or a predecessor in title of his and each having a date of filing during the period of 12 months immediately preceding the date of filing the application in suit, then:

(a) if an invention to which the application in suit relates is supported by matter disclosed in the earlier relevant application or applications, the priority date of that invention shall instead of being the date of filing the application in suit be the date of filing the relevant application in which that matter was disclosed or, if it was disclosed in more than one relevant application, the earliest of them;

(b) the priority date of any matter contained in the application in suit which was also disclosed in the earlier relevant application or
applications which that matter was disclosed or, if it was disclosed in more than one relevant application, the earliest of them.

(4) The foregoing provisions in this section shall apply for determining the priority date of an invention for which a patent has been granted as they apply for determining the priority date of an invention to which an application for that patent relates.

(5) In this section ‘relevant application’ means any of the applications which has a date of filing, namely:

(a) an application for a patent under this Act;
(b) an application in or for a convention country (specified under s 90 below) for protection in respect of an invention or an application which, in accordance with the law of a convention country or a treaty or international convention to which a convention country is a party, is equivalent to such an application.

The section determines the priority date of an application but tells us nothing about the effect of that date when determined. In fact the priority date serves a dual purpose. First it fixes the date after which, assuming that he takes all relevant steps in due time, the inventor can take further steps by way of publication or public exploitation of his invention without jeopardising any patent which may subsequently be granted on the application. Section 6 provides that the patent is not to be invalidated by ‘relevant intervening acts’. Second, it provides the reference point for what, in considering whether the invention claimed is novel, is to be treated as embraced in the state of the art.

Section 5 is one of the sections specifically referred to in s 130(7) and its provisions broadly reflect the provision of Articles 87, 88 and 89 of the convention. Article 87 confers on a person who has filed an application for a patent in any State which is party to the Paris Convention of 1883 a right of priority for the purpose of a European patent application during a period of 12 months from the date of filing of the first application. Any filing sufficient to establish a filing date, whatever the outcome of the application, under the law of the State where it is made is to be recognised as giving rise to a right of priority. Article 88 requires an applicant who wishes to take advantage of the priority of a previous application to file a declaration of priority together with a copy of the previous application. Priority is restricted to those elements of the European application which are included in the application giving rise to the claim to priority but if certain elements of the invention for which priority is claimed do not appear in the claims of the previous application, Article 88(4) provides that priority may still be granted if those elements are disclosed specifically in the documents of the previous application as a whole. Under Article 89 the right of priority has the effect that the date of priority is to count as the date of filing of the European patent for the purposes of Article 54 which regulates what is to be considered as the state of the art for the purposes of determining novelty.

The fees charged at the early stages are modest: the Patent Office does not expect to break even on a patent until it has been in force for some years. The application fee is currently only £25.00. Renewal fees (payable annually) are
progressive, on the basis that the longer a patent is considered worth protecting the more valuable the proprietor must think it is. In the final stage of a patent’s life they reach £450 per annum.

The application has to contain three matters (apart from the fee). There has first to be a request for a patent (though completing the prescribed form takes care of this); second, the applicant must be identified (which again the prescribed form covers); third, there has to be a specification, comprising a description of the invention, a claim or claims, and an abstract (s 14(2)). This document is of crucial importance.

The specification must disclose the invention clearly and completely enough to enable it to be performed by someone skilled in the art (s 14(3)). The claim or claims must define the matter for which the applicant seeks protection, be clear and concise, be supported by (ie cover nothing not included in) the description and relate to one invention or to a group of inventions which form a single inventive concept. The main issue in the Asahi case was whether the earlier of two conflicting applications gave a sufficient disclosure of the invention. Lord Oliver again:

The appellant had argued, as it has argued in this House, that for a disclosure in an application to form part of the state of the art under the subsection, it had to be such as to disclose the method of working the invention, that is, to be an ‘enabling disclosure’. The mere disclosure of a formula for a compound claimed, which, on the agreed assumptions, was all that IP 617 contained for relevant purposes, was not sufficient. That argument was rejected by the superintending examiner, his decision, as I understand it, being primarily based upon his interpretation of the words ‘supported by matter disclosed’ in s 5(2)(a). These words, on his construction, did not do more than require that the disclosure in the description should contain an element or elements which provided some part of the basis for a claim, so that priority for the invention claimed did not require, under this paragraph of the subsection, any enabling disclosure in order to sustain a claim for priority. It followed that if no enabling disclosure was required for priority of the invention under paragraph (a) it would be illogical to require an enabling disclosure in order to gain priority for the, _ex hypothesi_, less important ‘matter’ under paragraph (b). This is unexceptionable, given the premise: but for reasons to which I will come later, I have not, for my part, felt able to accept the premise.

The superintending examiner’s decision was upheld by Falconer J in the Patents Court but on the short ground that s 130(3), by treating a claim as itself constituting a disclosure, had made it plain that for the purposes of claiming priority under s 5(2)(b), and thus of forming part of the state of the art for purposes of s 2(3), no enabling disclosure was required.

In the Court of Appeal, Falconer J’s dismissal of the appeal from the superintending examiner was upheld, but upon the quite distinct ground that the convention (in Article 80) and the Act (in s 15) envisaged that an application could be made and earn priority as what was described as ‘an outline application’ (which I take to mean one in general terms which, without additional material, could not lead to a grant) without the necessity of making
any enabling disclosure and that, provided that that deficiency was made good within 12 months, either by amendment of the original application or by further application, the completed application containing the enabling disclosure required for the grant of a patent under s 14(3) would take its priority from the date of the original incomplete application. Basing himself on this premise, Dillon LJ found it impossible to imply into either subsection (2) or subsection (3) of s 2 any requirement that a document relied upon as an anticipation should contain an enabling disclosure. If this is right, of course, it follows that a patent already granted is liable to be revoked under s 72 of the Act if it is found that at its priority date there was published a description of the potential invention even though it contained no description enabling a man of ordinary skill in the art to make it, on the ground that the mere description made the invention ‘available to the public’. On this hypothesis, the Court of Appeal regarded the short-cut route taken by Falconer J as valued and permissible, although Dillon LJ expressed a doubt whether, by itself, s 130(3) was sufficient to defeat the appellant’s argument.

My Lords, it is, I think, clear that Dillon LJ’s reasoning cannot be supported in full and Mr Pumfrey, who represents the Comptroller, not only does not seek to support, but views with some alarm, the proposition that either s 15 of the Act or Article 80 of the convention authorises an ‘outline’ application providing a priority date for new material contained in a subsequent expansion. Such a notion flatly contradicts s 76. If it be the case (which I consider below) that s 2 deems anything to be comprised in the state of the art beyond what is actually to be found in an application as filed this arises from the terms of s 2 itself and of s 5 and is not because s 15 allows the reading in to the application for purposes of priority of new material which was not originally there.

When these items (not necessarily including the claims or abstract, which may be filed up to a year later) have all been presented, the Office will give the application a filing date.

After filing, there is a period of grace of 12 months. The applicant can decide what to do next. The invention’s commercial value can be assessed, finance can be obtained, industrial partners sought. Foreign protection can be applied for, claiming priority from the UK application. (This includes the possibility of filing an EPC application, claiming priority in the same way, designating the EPC member countries other than the UK where protection is required.) If at the end of this time nothing further is done the application dies. An application may also be withdrawn at any time before it is granted.

Search and publication

During this 12 months, the applicant must pay a search fee for a preliminary examination (s 17) and file claims (if they were not filed in the first place).

The preliminary search report which the examiner will issue will list any documents the examiner considers to be relevant to the question of novelty.
The applicant, after considering the results of the search, may file amendments to the description and claims.

However, these are not acted on immediately; rather the patent goes forward to publication in exactly the form in which it was filed. The only addition will be any new claims filed since then but prior to the completion of preparation of the application for publication.

At this stage copies of the application are available to anybody who wishes to inspect or purchase them. The Patent Office file is also open to public inspection. Whatever subsequently happens to the application, the learning it embodies now becomes part of the state of the art. Up to this point, it would have been possible to withdraw the application and maintain the novelty of the invention (provided of course that no other disclosure was made). Likewise, the invention remains novel for the purposes of foreign applications up the time it is published. If a patentee files, say, an Australia application, more than 12 months later (so outside the priority period) but before publication of the Australian application he can file a new application in (say) the UK. It will not have the priority of the Australian application: but it can be used as the basis for new priority applications elsewhere, including the European Patent Office.

The application as published will also include an abstract, a summary of the invention covering the main technical features. This too has to be supplied by the applicant. Like the claims and search fee the abstract has to be filed within 12 months of the application date if it is not filed at the same time as the rest of the application.

Substantive examination and grant (s 18)

The final stage before a patent can be granted is known as the substantive examination. At this stage, the applicant has to pay a further fee (called the examination fee) and if this is not done within six months after publication the application will die.

A Patent Office examiner will examine the specification (ie the description of the invention and the claims) to see whether it meets all the requirements of the Act. In particular the examiner will look to see whether the documents which were reported at search stage, or any others which have come to light since then, indicate that the claimed invention is either not new or is obvious.

A report is then sent to the applicant, who may then amend the application to overcome any adverse findings by the examiner or present arguments in reply. This procedure may be repeated as many times as necessary until the examiner is satisfied that the specification meets all the requirements.
Grant

Once the examiner is so satisfied, the patent is granted and the specification (with any amendments) is published.

Timetable

The search report is normally sent out within three months after a search request is made. Publication takes place just over 18 months from the filing date (or priority date) and the first full examination report is issued about 18 months after that. The patent may be granted at any time after the first examination report once the application is in order.

There is a maximum permitted time of four and a half years from the filing date (or priority date) for the application to meet all the requirements. The applicant may, of course, at any time decide to accept the objections raised by the examiner, so this is not too much of a problem.

It is possible for an application to be published earlier on request (s 16). The applicant can also shorten the period between publication and full examination and grant if they can make out a case for accelerated processing.

Amendment of application

Applicants may amend their applications before grant (s 19). The specification may also be amended after grant, with the Comptroller’s permission (s 27).

Amendments may not be made to granted patents under s 27 where there are proceedings pending (in the court or before the Comptroller) in which the validity of the patent may be put in issue. Instead, with the leave of the court or the Comptroller the proprietor may make amendments subject to such conditions concerning advertising the proposed amendments and costs or expenses as the court or the Comptroller thinks fit. Such amendments may be formally opposed by third parties. The Comptroller must be given notice of any such proceedings brought in the court.

No amendment to an application or a patent may include new matter (s 76(2)). If new matter needs protection, the proper course is to file a new application.
PATENTABILITY

Section 1 of the Patents Act 1977, sets out the basic requirements for patentability:

(1) A patent may be granted only for an invention in respect of which the following conditions are satisfied, that is to say:

(a) the invention is new;
(b) it involves an inventive step;
(c) it is capable of industrial application;
(d) the grant of a patent for it is not excluded by subsection (2) and (3) below;

and references in this Act to a patentable invention shall be construed accordingly.

This provision corresponds to Article 52(1) of the European Patent Convention.

(1) European patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step.

NOVELTY

The first requirement is that the invention be new. Something which lacks novelty would in the ordinary sense of the expression lack the essential feature of an invention – something that has not been seen before. In contractual terms, if the invention has already been made public there will be a failure of consideration for the grant of the patent: when the application is published that will not be the first time that learning has been made available to the world at large, so the *quid pro quo* for the grant of the patent will not be present.

The novelty requirement is explored in the *Asahi* case. Lord Oliver’s judgment (at p 523 onwards) contains an excellent explanation of the novelty requirement, and detailed consideration of the amount of information which must be contained in a patent application for it to amount to a prior disclosure of the invention. He begins by quoting Article 54 of the EPC:

(1) An invention shall be considered to be new if it does not form part of the state of the art.

(2) The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way before the date of filing of the European patent application.

(3) Additionally, the content of European Patent applications as filed, of which the dates of filing are prior to the date referred to in paragraph 2
and which were published under Article 93 on or after that date, shall be considered as comprised in the state of the art.

These provisions are reflected and to some extent expanded in s 2 of the Act, the relevant terms of which are as follows:

(1) An invention shall be taken to be new if it does not form part of the state of the art.

(2) The state of the art in the case of an invention shall be taken to comprise all matter (whether a product, a process, information about either, or anything else) which has at any time before the priority date of that invention been made available to the public (whether in the UK or elsewhere) by written or oral description, by use or in any other way.

(3) The state of the art in the case of an invention to which an application for a patent relates shall be taken also to comprise matter contained in an application for another patent which was published on or after the priority date of that invention, if the following conditions are satisfied, that is to say:

   (a) that matter was contained in the application for that other patent both as filed and as published; and

   (b) the priority date of that matter is earlier than that of the invention.

Finally and before turning to the history of the matter and the rival submissions of the parties, reference must be made to the provisions of s 130(3) which played a crucial role in the decision of Falconer J in the Patents Court in the instant case. That subsection, which is the successor of s 69(2) of the Patents Act 1949, provides that:

For the purposes of this Act matter shall be taken to have been disclosed in my relevant application within the meaning of s 5 above or in the specification of a patent if it was either claimed or disclosed (otherwise than by way of disclaimer or acknowledgment of prior art) in that application or specification.

Turning now to the factual background, the appeal arises from competing applications for patents for chemical inventions in the field of genetic engineering, the subject-matter being a human, physiologically active polypeptide (human tumour necrosis factor or HTNF) which has been found to be useful in the treatment of tumours in the human body. It comprises a particular amino acid sequence (or DNA chain) which is specified in the formula of claims 1 and 2 and alternatively in the formula specified in claim 3 of the application in suit. Fortunately the details, which are immensely technical, do not matter for present purpose and the case has been presented on a number of assumptions which have been agreed for the purposes only of the appeal and from which the point to be decided has been isolated. Thus it is sufficient for present purposes to say simply that the appeal is concerned with four applications, the first of which in point of time is that of a Japanese company, Dainippon, which filed an application in Japan on 6 March 1984. That application is identified as ‘JP 617’. On 6 April 1984 the present applicant, who may be conveniently referred to simply as ‘Asahi,’ filed an application in the US. On 26 February 1985 Dainippon filed an application (EP 549) in the
European Patent Office designating the UK and claiming priority from JP 617. The application in suit (UK 864) was filed by Asahi on 4 April 1985 claiming priority from the US application of 6 April 1984. For the purposes of the appeal it is agreed that it may be assumed that the subject-matter of claims 2 and 3 of UK 864 is matter disclosed in EP 549 and that EP 549 adequately describes a method of preparing the products of those claims. It is also to be assumed that the earliest priority document of EP 549 (ie JP 617) discloses the products of claims 2 and 3 of UK 864 but does not describe any methods of preparing them. Finally it is to be assumed that UK 864 is entitled to the priority date of 6 April 1984, the date of Asahi’s US application.

The question which arises on these assumptions is whether, having regard to the disclosure in JP 617, the subject-matter of claims 2 and 3 of UK 864 formed part of the state of the art under s 2 of the Act at the priority date of that application so as to deprive these claims of novelty. Dainippon is not party to this litigation, the question having arisen between Asahi and the Comptroller of Patents on the examination of the application in suit. On 16 February 1988 the superintending examiner determined that EP 549 formed part of the state of the art at the priority date of the application in suit and thus anticipated claims 2 and 3 in that application EP 549 was not published until September 1985, that is to say, after the priority date of UK 864, so that the superintending examiner’s decision was based, as it had to be, upon subsection (3) of s 2 and relied upon the claimed priority of JP 617.

... I turn therefore to the principal ground of contention between the parties. Essentially, there are two questions which have to be answered in determining whether an invention claimed in a patent application is new: both subsections (2) and (3) of s 2 direct attention to ‘the priority date of that invention’ and subsection (3)(b) directs attention to ‘the priority date of that matter’. In the contest between the application in suit and EP 549 the first question which requires to be answered is therefore, what material in EP 549 is entitled to the priority date of JP 617? That having been established, the second question is whether that material anticipates the claims of the application in suit having regard to the provisions of s 2.

Section 5 of the Act shows a distinction between the invention to which an application relates and ‘matter’ contained in the application and contemplates that there may be different priority dates for the two. The priority date of the invention under subsection 2(a) is to be the date of filing of an earlier relevant application which contains matter ‘supporting’ the invention, whereas the priority date of ‘matter contained in the application in suit’ is to be the date of filing of the earliest relevant application in which ‘that matter’ was disclosed. The Act does not contain any definition of the word ‘supported’ but some assistance can be obtained from the provisions of s 14(5) which require the claim in an application to be ‘supported’ by the description. That must, I think, involve the conclusion that if that which is contained in the description of the specification does not enable the claim to be established, it cannot be said to ‘support’ it, for the Act can hardly have contemplated a complete application for a patent lacking some of the material necessary to sustain the claims made.
Since, therefore, subsection (3) of s 14 requires in terms that the specification disclose the invention in a way which will enable it to be performed by a person skilled in the art (ie it must contain an ‘enabling disclosure’), it follows that a description in an earlier application which contains no enabling disclosure will not ‘support’ the invention so as to enable it, as an invention, to claim priority from the date of that application under s 5(2)(a), although the description will be entitled to a priority as ‘matter contained’ in the application in suit under s 5(2)(b).

The question can, perhaps, best be tested by an example which assumes an initial application containing no more than a rudimentary description but an extensive claim going well beyond what is described. If that is followed by a further application containing the same claim but a substantially different description, albeit incorporating part of the description in the earlier application, it could not be seriously argued that the invention claimed in the second application was ‘supported’ by matter in the first. The original description was inadequate to support the claim and the claim, which is the same in both applications, can hardly ‘support’ itself.

I have thus not felt able, in this respect, to accept the reasoning of the superintending examiner. In applying this analysis to the facts of the instant case and the assumptions which it has been agreed shall be made for the purposes of the appeal, it is necessary to bear always in mind what is the invention to which the claims in the co-pending applications relate. What is claimed is a chemical compound produced in accordance with and identified by reference to the formula disclosed. The invention is not the formula itself but the thing (if that is an appropriate word) identified and described in terms of chemical building blocks by reference to the formula of its composition. It consists of the compounds claimed in claims 2 and 3 of UK 864 which are the same compounds as those claimed in claims 3 and 12 of EP 549 and in claims 7 and 8 of IP 617. The agreed assumptions for the purposes of this appeal, however, require it to be assumed that what is disclosed in the description of the specification of JP 617 is no more than the formulae for the making of the compounds claimed, without any sufficient information enabling them to be prepared, and that what are described in the claims are no more than compounds made up to the disclosed formulae. Thus the claims add nothing to what has gone before and the ‘matter’ disclosed consists simply of the formulae. There may, of course, be cases where the means of producing the thing will be self-evident to the man skilled in the art from the mere recital of the formula of its composition, but it is not claimed or suggested that the instant case is such a case. It has, therefore, to be assumed for present purposes that the man skilled in the art, if he is to produce the invention claimed, will need to know not simply the formula of its composition but a method by which it can be produced in accordance with that formula. Thus the invention, as a patentable concept, involves the combination of the two elements, formula and means.

If (sic) follows, therefore, the appellant argues, that EP 549 cannot claim under s 5(2)(a) priority from JP 617 for the totality of the invention claimed but it can claim priority from that application under s 5(2)(b) for the formula which was therein disclosed. So far as concerns the means of making the invention it can
claim priority only from the date of its own filing under s 5(1). In particular s 15(1) does not enable it to backdate the filing, as regards that matter, to the priority date of JP 617.

The logic of this argument appears to me unassailable and as I understand Mr Pumfrey’s argument on behalf of the Comptroller he does not contest that the priority date applicable to the information disclosed in EP 549 regarding the method of performing the invention is any earlier than the date of filing of that application. The critical question, therefore, is what is the effect of this sequence in relation to the state of the art under s 2? More simply, what was or what is deemed to have been the state of the art on 6 April 1984 having regard to the filing of JP 617 and publication of EP 549 claiming priority from that earlier application? None of the relevant material had, at that time, been published and the critical provision is, therefore, s 2(3). The appellant contends, however, that the word ‘matter’ in that subsection must bear the same meaning as the same word where it is used in subsection (2). This was accepted by the Court of Appeal, although it is challenged by the respondent and it is thus necessary to consider that subsection first. It is concerned with matter which has, at the relevant priority date, been ‘made available to the public’ in any part of the world and ‘matter’ is defined in the widest possible terms as comprising a product, a process, information about either ‘or anything else’. The phrase ‘available to the public’ is not new. It occurs in s 101 of the Patents Act 1949 but only as part of the definition of the word ‘published’. In its present context it derives from Article 54 of the convention and it is clear from the terms of that article, which are reflected in the subsection, that it is not confined to availability by means of publication of information but embraces, for instance, supply or public use of an article or the public operation of a process. The appellant contends, however, that in so far as the section is referring to matter consisting solely of information about an invention the ‘matter’ cannot be said to have been ‘made available’ to the public unless the public is able to avail itself of it. Thus if published information does no more than disclose the existence of a product which is not physically obtainable by the public that product cannot be said to have been ‘made available’ unless and until the public has been told how it can be produced. The product is not available in the absence of an enabling disclosure.

This contention was rejected by the Court of Appeal but the basis for that rejection was what, with respect, I regard as an erroneous view of the purpose and scope of s 15 of the Act. The appellant argued that because the state of the art in subsection (2) involved the publication of an enabling disclosure it followed that the deeming provisions of subsection (3) required a like disclosure. The argument which found favour with the Court of Appeal was the precise reverse. It was that because (so it was said) s 15(1) makes it clear that no enabling disclosure is required to obtain priority for an application and thus for the deemed disclosure under subsection (3) it follows that no enabling disclosure is required in the case of an actual publication for the purposes of ascertaining the state of the art under subsection (2). It is a point upon which there is some conflict of authority. In a case in 1958 before Lloyd-Jacob J in the Patents Appeal Tribunal, conveniently referred to by the abbreviated title of
**G K I’s Application** [1958] RPC 51, an application was made for a patent for chemical compounds described as metal borohydrides, one of which was calcium borohydride. On the examination under s 7(2) of the Act the examiner cited an article in a chemical encyclopedia which referred to various borohydrides including that of calcium, stating that ‘they have been prepared but their properties have not been reported as yet’. The superintending examiner required deletion from the claim of the reference to calcium borohydride on the ground that the claim could not be sustained in the face of ‘a clear statement ... that this same compound has already been made’. The broad claim for calcium borohydride ‘as new compound’ carried an assumption that the invention lay in the compound itself and not in a process of manufacture; and if that were so, the invention was sufficiently disclosed if the cited document ‘specifies in clear terms the compound claimed, and states, explicitly or implicitly, that the compound has been made’. Lloyd-Jacob J, in a very short judgment, upheld the decision of the superintending examiner on the ground that:

it is not accurate to suggest that at the date of this application ... (calcium borohydride) ... was a new compound in the sense that its existence had not been indicated in the literature.

That is the full extent of the relevant exegesis but it was subsequently explained by the same judge in SmithKline & French Laboratories’ Application [1968] RPC 415, on grounds which, for my part, I am bound to say I find less than satisfactory. These were that a claim to a product is appropriate only where it results from a development in art of manufacture. A product could be ‘new’ only if its mere existence evidenced the novelty of the art or process and that condition could not be satisfied if the existence of the product had already been disclosed in some prior publication. Whether or not that was valid reasoning, G K I’s Application has, I understand, regulated the Patent Office practice ever since, at any rate so far as concerns applications under the Act of 1949.

On the other side of the line there are more recent decisions of Falconer J in Genentech Inc’s (Human Growth Hormone) Patent [1989] RPC 613, Pall Corp v Commercial Hydraulics [1990] FSR 329, and Quantel (Bedford) Ltd v Spaceward Microsystems Ltd [1990] RPC 83. The test for determining whether a prior publication has anticipated a claimed invention must, I think, be the same as that for determining whether an existing patent ought to be revoked for want of novelty under s 72 of the Act or s 32 of the Patents Act 1949. In the Genentech case the petitioner sought revocation of Genentech’s patent on grounds (inter alia) of anticipation. Falconer J reviewed a number of decisions of high authority relating to the test for determining whether an invention is anticipated by an antecedent statement or publication all of which pointed to the conclusion that a disclosure, in order to constitute an anticipation, required to be an enabling disclosure. The principle applicable, he held, was that stated by Lord Westbury LC in Hills v Evans (1862) LJ Ch 457, 463:

... the antecedent statement must be such that a person of ordinary knowledge of the subject would at once perceive, understand and be able practically to apply the discovery without the necessity for making further experiments ...
Posing the question ‘What is the nature and extent of the information ... necessary to disprove the novelty of the subsequent patent?’ Lord Westbury answered:

... the information ... given by the prior publication must ... be equal to that given by the subsequent patent ... If specific details are necessary for the practical working and real utility of the alleged invention, they must be found substantially in the prior publication.

Applying this to the case before him, Falconer J concluded that ‘to constitute anticipation of a claim to a new chemical compound by a prior document the disclosure in that prior document must be an enabling disclosure in the sense I have indicated’. In reaching this conclusion he necessarily disapproved, although he did not say so in terms, the decision of the Patent Appeals Tribunal in G K I’s Application unless it can be said that there is some valid distinction to be drawn between ‘publication’ for the purposes of the Act of 1949 and making something ‘available to the public’ for the purposes of the Act. Section 101 of the Act of 1949 effectively precludes such an argument.

In the course of his judgment in the Court of Appeal in the instant case Dillon LJ expressed some uncertainty about whether Falconer J was holding that the claims in the prior application in Genentech did form part of the state of the art under s 2(3) but did not constitute an anticipation in the absence of an enabling disclosure or was holding that the compound there in question could not be regarded as made ‘available to the public’. For my part I have not felt this difficulty. Falconer J was dealing with two alleged anticipations, one in a published patent cited under s 2(2) and one in an application unpublished at the priority date and cited under s 2(3). Reading his judgment as a whole it seems clear that he regarded the test for anticipation as being the same in either case and he did not in this case find himself able to take a short cut by reference to s 130(3). Certainly for myself I find his reasoning persuasive at any rate so far as concerns anticipation under s 2(2), for I do not see how an invention can be said to have been made available to the public merely by a published statement of its existence, unless the method of working is so self-evident as to require no explanation. So far as the ‘matter’ referred to in s 2(2) consists solely of published information that information must to be made available to the public, contain an enabling disclosure. Indeed, although the respondent’s printed case formally challenges the proposition that an enabling disclosure is required under s 2(2), I did not understand Mr Pumfrey to challenge it in the course of his argument with any degree of enthusiasm. He preferred to press the proposition that the Court of Appeal was wrong to treat subsections (2) and (3) as requiring the same disclosure and that subsection (3) had both a different purpose and a different scope – a proposition which lies at the root of this case and will require to be considered with care.

For my part, it is to me clear that, for anticipation under subsection (2), published information requires to contain an enabling disclosure and that, to this extent at least and contrary to the views expressed in the Court of Appeal, Falconer J’s decision in Genentech is to be preferred to the decision in the G K I case. The subsequent decision in the Pall Corporation v Commercial Hydraulics case, which applies the same principle to the supply of samples for testing on a
confidential basis and without explanation, is, in my judgment, both logical and correct.

I find Lloyd-Jacob J’s decision in the G K I case difficult to support simply on the wording of the 1949 Act, for under s 7(2) the examiner was required only to find whether ‘the invention’ (which, by definition in s 101, included an alleged invention) had been ‘published ... in any ... document’ before the filing of the relevant application. He was not required to ascertain whether it had been mentioned in a published document but whether it had itself been ‘published’ (ie made available to the public) and quite clearly a mere statement that a particular composition had been made did not make it so available.

It should be added that the same approach as that adopted by Falconer J in the Genentech case has been adopted in the European Patent Office in Imperial Chemical Industries PLC’s (Herbicides) Application (Decision T206/83) (1986) 5 EPOR 232, [1987] Official Journal EPO 5, and Collaborative Research Inc (Preprorennin) Application (Decision T81/87) [1990] Official Journal EPO 250. The headnote of the latter case reads:

In accordance with Article 87 EPC a European patent application is only entitled to priority in respect of the same invention as was disclosed in the previous application. This means that the subject-matter of the claims of the European application must be clearly identifiable in the previous application as a whole. Identical wording is not required.

In order to give rise to priority the disclosure of all the essential elements, ie features of the invention in the priority document must either be express or be directly and unambiguously implied by the text as filed. Missing elements which are to be recognised as essential only later on are thus not part of the disclosure.

Both these decisions were decisions of the Board of Appeal and were ex parte. A later decision of the enlarged Board of Appeal in opposition proceedings in Mobil Oil Corp v Chevron Research Co (Friction-reducing additive) (Decision G02/88), [1990] EPOR 7, [1990] Official Journal EPO 93, was the result of an inter partes hearing. It is of less direct relevance but it contains a specific finding that the word ‘available’ (in Article 54) ‘carries with it the idea that, for lack of novelty to be found, all the technical features of the claimed invention in combination must have been communicated to the public, or laid open for inspection’. These decisions, as was pointed out by Dillon LJ in the instant case, are not binding in the UK, but they must carry considerable persuasive authority having regard to the provisions of s 130(7) and the desirability of avoiding, so far as possible, divergent jurisprudence on the interpretation of broadly parallel provisions. It should, perhaps, also be mentioned that the Guidelines for Examination in the European Patent Office contain this instruction in relation to chemical patents:

However, it should be noted that a chemical compound, the name or formula of which was mentioned in a document, is not considered as known unless the information in the document, together, where appropriate, with knowledge generally available on the effective date of the document, enable it to be prepared and separated or, for instance in the
case of a product of nature, only to be separated [Part C, Chapter 4, paragraph 7.3].

It is the appellant’s contention that, as indicated in the *Genentech* case, the test for whether ‘matter’ disclosed in an application unpublished at the priority date of the application in suit constitutes an anticipation under subsection (3) must, as a matter of construction of the two subsections, be the same as the test under subsection (2), so that here too an enabling disclosure is required. It would, it is argued, be absurd that an application which, if published on the day prior to the priority date of the application in suit, would not constitute an anticipation because, for want of an enabling disclosure, it did not make the invention available to the public, should nevertheless constitute an anticipation and thus deprive the application in suit of novelty if published on the day following such priority date.

The illogicality of this is plain but it is argued on behalf of the Comptroller that the result is one which follows from the purpose for which subsection (3) was enacted. It is not, it is suggested, a provision purely designed to deal with novelty but is directed to an entirely different problem and has its origin in the Strasbourg Convention of 1963. The paramount intention was to avoid double patenting, that is to say the existence of two concurrent patents in different people covering the same invention in the same jurisdiction. Article 4 of that convention dealt with novelty in very similar terms to those employed in Article 54 of the convention. It provided in paragraphs 2 and 3 as follows:

2. Subject to the provisions of paragraph 4 of this article, the state of the art shall be held to comprise everything made available to the public by means of a written or oral description by use, or in any other way, before the date of the patent application or of a foreign application, the priority of which is validly claimed.

3. Any Contracting State may consider the contents of applications for patents made, or of patents granted, in that State, which have been officially published on or after the date referred to in paragraph 2 of this Article, as comprised in the state of the art, to the extent to which such contents have an earlier priority date.

Article 6, however, makes it plain, it is argued, that paragraph 3 of Article 4 is not specifically to deal with novelty but merely as one of two possible methods of avoiding double patenting. That Article provides:

Any Contracting State that does not apply the provisions of paragraph 3 of Article 4 shall nevertheless provide that no invention shall be validly protected in so far as it includes matter which is or has been validly protected by a patent in that State which, though not comprised in the state of the art, has, in respect of that matter, an earlier priority date.

Particular attention is drawn to the word ‘nevertheless’. Thus, it is said, consistently with the intention to avoid double patenting, there is no compulsive reason for reading subsection (3) of s 2 as importing any requirement that, in order to constitute the ‘matter’ there referred to as included in the state of the art, that matter must include an enabling disclosure.
There is very considerable force in this submission. Article 4(3) and Article 6 are linked in terms and it is difficult to resist the conclusion that they were envisaged as alternative means of achieving the same object. But there seem to me to be equally formidable difficulties. To begin with, as Dillon LJ pointed out in the course of his judgment, the scheme of the Act and of Article 54 of the convention is to equate what becomes part of the state of the art by application under subsection (3) with that which becomes part of the state of the art by being made available to the public under subsection (2). True it is that subsection (2) designates ways in which matter may be made available to the public without an enabling disclosure (for instance, by use of the invention) but nevertheless if what is relied on is simply a document or documents describing the invention it seems to me inescapable that an enabling disclosure is necessary before the invention can be said to have been made available to the public. Second, the ‘matter’ deemed to be part of the state of the art by reason of being contained in a pending application unpublished at the priority date of the application in suit must itself have an earlier priority date by reason of having been ‘disclosed’ for the purposes of s 5. It is difficult to see any reason why there should be deemed to be included in the state of the art anything more than what was disclosed in the application which gave it its priority under s 5 if that disclosure would not, if published, have made the invention available to the public. It is not easy to see why it should do so simply because fortuitously it was not published at the relevant priority date.

It is said, correctly, on behalf of the appellant that there is no provision in the Act which specifically prohibits double patenting and it is suggested that if in fact it transpired that there were concurrent patents covering the same invention, this could be overcome by resort to the compulsory licensing provisions of s 48 of the Act. The suggestion is, I think, more ingenious than realistic and I doubt very much whether such a procedure could have been contemplated by the legislature. One can indeed see the force of the reasoning that if there has been published in a document a claim to a specific compound, albeit without an enabling description, the same compound claimed in a subsequent document cannot be said to be ‘new’ since the earlier document clearly indicates that it has already been discovered. But whether this is so or not and whether or not the rare case of double patenting could be overcome in the way suggested, we are, in the ultimate analysis, cast back simply upon the words of an Act which has adopted as the test of novelty an artificial definition of the state of the art which, in terms, requires matters to have been made available to the public. I cannot for my part construe s 2(3) as deeming to be part of the state of the art anything more than that matter which is entitled to priority under s 5. Thus the formula disclosed in JP 617 is deemed to be part of the state of the art but it does not follow, nor does s 2(3) compel the conclusion, that the invention claimed in that application, ie the compound said to be produced by application of the formula, is part of the state of the art so as to anticipate the claims made in the application in suit. The only ‘matter’ disclosed is the bare claim that a compound can be prepared of the specified composition.

The equivalent or approximate equivalent of the subsection is paragraph 3 of Article 54 of the convention, which refers to the ‘content’ of prior European
Convention applications, a word not apt to refer to anything more than is actually contained in the applications. I do not think that ‘matter contained’ can have any wider meaning or refer to anything other than that which can be gleaned from the face of the application (see particularly Article 88(3) and (4)). One can perhaps test the matter by postulating an application which discloses no more than a formula and a claim to a compound based on the formula with no other indication of how that compound has been produced. No doubt the claim is ‘matter contained’ in an application but the claimant may in fact not even know whether the compound can be produced in practice. If nothing further is added either by amendment or by further application, the application must fail and be refused. It would be a most unreasonable result if this failed application should nevertheless be capable of being cited as an anticipation of a subsequent application on the basis of the priority of an invention which it was never in a position successfully to claim.

Despite the very cogent arguments advanced on behalf of the Comptroller, I have in the end found myself unpersuaded that the logic of Mr Thorley’s submissions and of the reasoning (albeit ex parte) of the European Patent Board in the cases referred and of Falconer J in the Genentech case can be denied. I would accordingly allow the appeal and order that the application of the appellant be remitted to the Patent Office for further prosecution, time being extended for compliance with the Act and the rules pursuant to s 20(2) of the Act.

An invention can be anticipated in other ways than by disclosure in an earlier patent application. Often, an inventor will unwisely reveal the invention to the public without first filing a patent application: this should only be done under conditions of confidentiality, as in the Pall case mentioned by Lord Oliver.

Fomento v Mentmore [1956] RPC 87 (CA) concerned a patent for an improvement to the nib of a ball-point pen. In an infringement action the defendant argued that pens embodying the invention had been made available to the public before the priority date of the patent, so it formed part of the state of the art. Here, the evidence of a Mrs MacLean, that she had seen one belonging to a member of the Canadian Air Force in 1944 proved conclusive. Jenkins LJ held:

The matter is dealt with in the case of Humpherson v Syer [1887] 4 RPC 407. I will read a short passage from the judgment of Bowen LJ, and another short passage from the judgment of Fry LJ. The case, I should say, was one which concerned a device for preventing water waste, and the passage I am about to read related to the effect of the patentee having asked a gentleman named Widner to make one of the devices. Lord Justice Bowen at p 413 said: ‘Was Widner a person to whom this communication had been made in a manner which left him free both in law and equity to do what he like with the information? If so, the information, of course, had been given to a member of the public, and there was nothing further to serve as consideration for any patent’.

To the same purpose Fry LJ, at p 414, referred to the language of Lindley LJ and Cotton LJ in an earlier case. In that case, Lindley LJ, delivering the
judgment both of himself and of Cotton LJ, said: ‘On the present occasion it is unnecessary to decide this’ – that is another point – ‘and without going so far as to say that the judge ought to give such a direction, I am clearly of opinion that the judge ought at least to tell the jury to find for the defendant on the issue that the patentee was the first and true inventor if they thought that the German specification had been so published in this country as to have become known to anyone here’. Therefore, in the view of the Lords Justices, the knowledge of anyone here was enough to give the public the possession of the invention.

It may seem at first sight a hard result for the patentee; but in light of that authority it is I think clear that if the cases of these few pens were proved – pens having the necessary characteristics so as to bring them within the scope of 609,817 – if those few pens came to the hands of Hogan, MacLean and Hulme in circumstances which left them free at law and equity to do whatever they liked with them and what they discovered from them (subject only, of course, to the effect of Patent 564,172) then it would appear to follow that the plaintiffs must in this case fail.

The issues of anticipation and disclosure are also dealt with in *Catnic Components v C Evans & Co* [1983] FSR 401. This case concerned the lintels that were also the subject of *Catnic v Hill & Smith* referred to in the cases on construction of claims below. Evans bought the lintels from Hill & Smith, and attacked the validity of the patent under s 32(1) of the Patents Act 1949. He claimed that there had been a prior disclosure of the invention by an architect called Edmonds.

Some time before the priority date, Edmonds had made a cross-section drawing for such a lintel and arranged for a portion of it to be made up. The made-up length was not long enough to be used as a lintel. Falconer J found that everyone to whom Edmonds had shown his drawings and section was bound by implied obligations of confidence, so that the invention had not been made available to the public. Equally there had been no prior use, since the model did not itself constitute a lintel. The defendant, relying on *Bristol Myers’ Application* [1969] RPC 146, argued that under the 1949 Act prior invention was of itself a ground of invalidity, provided that the inventor was himself free in law and equity to use it as he pleased. Falconer J said:

*Bristol Myers’ Application* was a case in which the Queen’s Bench Divisional Court considered an application for *certiorari* to set aside a decision of the Patent Appeal Tribunal in an appeal in an opposition to a patent application. The matter in issue was whether a particular prior document, admittedly relevant to its contents, had been published before the priority date of the patent application so as to be available as a prior publication under s 14(1)(e) of the 1949 Act. The document in question was a South African patent specification which had been received from South Africa but in this country by an employee of Boots Pure Drug Company in his capacity as such employee.

I should point out that ‘published’ in the 1949 Act is defined as meaning ‘made available to the public’. Lord Parker CJ, giving the judgment of the court,
referred to the decision of the Court of Appeal in the *Fomento* case and, after pointing out (at p 155) that in the *Fomento* case the Court of Appeal had treated the question of prior user as equivalent to the question whether the giving of the pens had been a publication which made available to the public the means of knowledge of the invention, continued:

It seems to us that we are bound by this authority to reject the contention that publication depends either upon anything in the nature of a dedication to the public or upon the degree of dissemination of the information alleged to have been published. On the contrary, if the information, whether in documentary form or in the form of the invention itself, has been communicated to a single member of the public without inhibiting fetter, that is enough to amount to a making available to the public and we do not think it is open to us to construe the words ‘made available to the public’ in s 101 in a sense which conflicts with this decision.’

It will be noted that the Divisional Court in that case was dealing with a communication to the Boots Pure Drug Company in this country as making available to the public the contents of the document in question, but was not considering any question as to the knowledge of the communicator.

Both those cases derive the principle applied from the early case of *Humpherson v Syer*; but reference to that case shows that it is no authority for the proposition that Mr Jacob seeks to establish in this case, namely, that the knowledge of Mr Edmonds, whom he refers to, and I think rightly, as a ‘prior inventor’, is knowledge which is available to anticipate the plaintiffs’ patent. In that case (which is reported in (1887) 4 RPC 184 at first instance and in the same volume at p 407 in the Court of Appeal) the case concerned a device called a ‘waste-water preventer’. The plaintiff’s patent which the defendant was alleged to infringe was for a waste-water preventer without an air valve. The defendant, himself an inventor, had a patent earlier in date for a waste-water preventer with an air valve. Some time before the date of the plaintiff’s patent the defendant had given instructions to one Widmer to make up a waste-water preventer and this was made up and the model made was without an air valve, that is to say, was the same as the plaintiff’s patented device. One question was whether the disclosure in the instructions to Widmer constituted a publication of the plaintiff’s invention or whether it was made in confidence and the passage cited by the Master of the Rolls in the *Fomento* case as the test from the *Humpherson v Syer* case is dealing with that question. In fact, the model in question was apparently also exhibited in the defendant’s shop and seen by several people, and that was held to be a prior use which invalidated the plaintiff’s patent.

But it is important to notice that it was nowhere suggested either in the case at first instance or in the Court of Appeal, so far as any indication in the two reports goes, that the knowledge of the defendant of the device which anticipated the plaintiff’s patent was itself sufficient to invalidate the plaintiff’s patent. It seems to me that it must follow that the authority relied upon in the *Fomento* and *Bristol-Myers* cases, cannot go to the extent of supporting Mr Jacob’s proposition that Mr Edmonds’ knowledge alone is sufficient to anticipate the plaintiffs’ patent in the present case.
However that may be, Mr Bateson for the plaintiffs submits that the defendants are not entitled to rely on Mr Edmonds’ own knowledge of his concept and his model. Apart from pointing out that Mr Edmonds’ knowledge was confidential to himself, Mr Bateson referred me to a number of authorities, some of which I must refer to now, although I do not propose to refer to all of them. Before I go to them, however, I must state that I apprehend that it has long been well-settled law that a patent is not invalidated for anticipation by reason of the prior knowledge of a third person who, prior to the date of the patent, has himself invented the same invention but has kept it to himself, not making any non-confidential disclosure of it and not attempting to patent it himself, so that the public has had no way of learning of it from him. As further support, Falconer J referred to a number of early authorities relied on by counsel for the plaintiff. The first was Dolland’s Case [1776] 1 WPC 43, of which Butler J remarked in Boulton & Watt v Bull [1795] 2 Hy Bl 463:4

The objection to Dollond’s patent was that he was not the inventor of the new method of making object glasses, but that Dr Hall had made the same discovery before him. But it was held that, as Dr Hall had confined it to his closet and the public were not acquainted with it, Dollond was to be considered as the inventor.

Mr Bateson also referred to the notes on that case in Webster at p 44.

The preceding would appear to be the first decision on the meaning of the statute in the case of two rival inventors within the realm; the case of Edgebury v Stephens [1693] 1 WPC 35, ante p 35, had decided that the introducer from foreign parts of an invention within the realm is the true and first inventor within the meaning of the statute, and this case decides that publication is essential to acquiring that character; that use in private, without some publication, will not defeat the claim of the subsequent independent inventor and publisher of his invention under patent for the benefit of the public; the question then arises, what use is such a publication as will defeat a patent, and two cases of use present themselves; first, by the patentee; second, by a stranger.

The words of the statute are ‘The working or making of any manner of new manufactures, which others, at the time of making such patent and grant, shall not use; the words of the letters patent are “new invention as to the public use and exercise thereof”’.

I point out that the statute there referred to is, of course, s 6 of the Statute of Monopolies ...

After references to a number of cases, the note in Webster continues with a citation from the direction to the jury of Sir N Tindal CJ – I think in the Court of Common Pleas – in the case of Cornish v Keene, and I should read it. Sir N Tindal said:

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It will be for the jury to say whether the invention was or was not in public use and operation at the time the patent was granted. There are certain limits to this question. A man may make experiments in his own closet; if he never communicates these experiments to the world, and lays them by, and another person has made the same experiments, and, being satisfied, takes a patent, it would be no answer to say that another person had made the same experiments: there may be several rivals starting at the same time; the first who comes and takes a patent, it not being generally known to the public, that man has a right to clothe himself with the authority of the patent, and enjoys the benefit of it. If the evidence, when properly considered, classes itself under the description of experiment only, that would be no answer. On the other hand, the use of an article might be so general as to be almost universal; then you can hardly suppose anybody would take a patent. Between these two limits most cases will range themselves; and it must be for the jury to say whether the evidence convinces their understanding that the subject of the patent was in public use and operation at the time when the patent was granted ...

The next case cited by Mr Bateson to which I wish to refer is that of Gadd v Mayor of Manchester [1892] 9 RPC 516. In that case the plaintiffs' patent related to construction of gas-holders and the defendants who were sued for infringement attacked its validity on a number of grounds, one of which was that the invention had been prior published by one Terrace, who had invented the same device, and the question was whether Terrace had prior published the invention ...

On this issue the decision of the court was unanimous. It is important to note the criterion applied by Lindley LJ:

Terrace's invention was never used in public, nor indeed at all; and such knowledge of it as the persons to whom it was communicated really had, cannot be regarded as knowledge acquired by or open to the public in any sense whatever. The public had no access to Mr Terrace's description of his invention. No one had access to that who was not confidentially consulted respecting it.

In my judgment, Dollond's case, Cornish v Keene and Gadd's case, as well as, indeed, Humpherson v Syer are sufficient authorities (although that list is not exhaustive) to establish the principles which I stated earlier that I apprehend to have long been well-settled law, namely, that a patent is not invalid by reason of the fact that, before the inventor applied for the patent, another person had independently made the same invention if that earlier inventor has kept his knowledge of it to himself. (I am, of course, considering in this case a patent under the Patents Act 1949, and I say nothing about a patent under the Act of 1977). The later inventor, who applies for the patent for the invention and thus is the first to publish the invention, is the 'true and first inventor' in patent law.

Du Pont's (Witsiepe) Application [1982] FSR 303 (HL) also concerned an alleged anticipation in an earlier published patent specification of the invention for which protection was sought. The earlier specification – referred to as the ICI specification in Lord Wilberforce's judgment, which follows – mentioned a glycol used in the application in suit, but used an alternative glycol in all the
examples it gave. The ICI patent was not specific, and the House of Lords held that Du Pont’s discovery that another glycol would produce a polymer with the necessary qualities amounted to an inventive step. The selection patent was therefore validly granted.

Lord Wilberforce said:

The opponents’ case is simply put. The ICI specification gave sufficient directions to enable a chemist to make any of the indicated nine copolyesters. Each and all of these was therefore available to the public. All that is required by the law is that a person of ordinary knowledge and skill in the subject would be able to make the product without the necessity of making further experiments and without taking any new inventive step. This requirement, they claim, was amply satisfied by the ICI specification.

In order to consider whether this argument is correct, or whether it is too simplistic, it is necessary to look more closely at the process by which an invention is disclosed in a document, and the nature of the identification required. There are several principles here involved. First, it may be true to say as a general rule that where an invention for a substance is specifically disclosed, with a claim for particular advantages, or where a substance is already known, a discovery that the disclosed or known substance has some advantage or useful quality not previously recognised does not give a right to a patent. The difficulty arises when disclosure is made of a group or class of substances for which some advantage is claimed, and later it is found that one or more of this group or class possesses special advantages not belonging to the rest of the group or class, and not previously identified. This situation arises particularly in relation to inventions in the chemical field, particularly where molecular combinations are involved. In many fields, of which those concerned with polymeric chains are a good example, the number of combinations of chains, sub-chains, rings, individual molecules, may be very large. When a researcher is able to discover that a particular combination produces advantageous results he will most probably be able to assert, and will assert in the specification of his invention, that the same qualities will be produced by a number of variants or homologues described by a formula, or formulae. Moreover, having described how to produce the particular combination, he may well be able to assert, with truth, that productions of any of the combinations can be made by any skilled chemist, following the indications he has given. Is, then, the mere fact that he has disclosed or published in general terms the possibility of these combinations, in such a way that they can be made, a disclosure or publication of unrecognised advantages which may be found to be possessed by one or some of them?

The law regarding selection patents has been developed to deal with this problem. It has done so in the direction of recognising two objectives, first to protect the original inventor, as regards the invention which he has made, but second, to encourage other researchers in the field to use their inventive powers so as to discover fresh advantages and to treat the discovery of such advantages as inherent in selected members of the group or class as a patentable invention. The modern statement of this part of the law as regards chemical patents is the judgment of Maugham J in *IG Farbenindustrie AG*’s
Patents [1930] 47 RPC 289, a case concerned with chemical combinations for the production of dyes. It has been approved and carried forward in cases concerned with the production of synthetic penicillins, where again the number of possible molecular variations is very large. The present position was compendiously stated by Lord Diplock:

The patents at any rate to the extent that they claim the products para-hydroxypenicillin and Amoxycillin respectively, are selection patents. The inventive step in a selection patent lies in the discovery that one or more members of a previously known class of products possess some special advantage for a particular purpose, which could not be predicted before the discovery was made (In Re I G Farbenindustrie AG’s Patents [1930] 47 RPC 283 per Maugham J at pp 322/3). The *quid pro quo* for the monopoly granted to the inventor is the public disclosure by him in his specification of the special advantages that the selected members of the class possess (*Beecham Group Ltd v Bristol Laboratories International SA* [1978] RPC 521 at 579).

My own opinion contains observations to a similar effect – 1 c p 568.

That case was concerned not with any question as to validity, but with one arising under a contract, but it has been applied to a validity issue by the New Zealand Court of Appeal in a judgment dated 22 December 1981. The general principle is now securely part of the law and needs no fresh discussion in the present case. I confine myself to such aspects as are necessary for our decision.

In the first place, in order to leave open a field for selection by a subsequent inventor, it does not matter whether the original field is described by formula or by enumeration. A skilled chemist could, in most cases, quite easily transform the one into the other and the rights of the subsequent inventor cannot depend upon the notation used. In the present case, the ICI specification uses both a formula, and, to some extent, an enumeration: it does not matter to which one directs attention.

Second, the size of the initial group or class is not in itself decisive as to a question of prior publication of an invention related to a selected member or members. A selection patent might be claimed for one or several out of a class of 10 million (cf I G Farbenindustrie AG’s Patents at p 321) or for one out of two (cf the selection of one of two epimers of a synthetic penicillin combination). The size of the class may be relevant to a question of obviousness, and that question in turn may depend, in part, upon whether the later invention relates to the same field as that occupied by the prior invention, or to a different field. If an ordinary uninventive man would not be likely to look for the advantages he desires to produce in the area occupied by the prior invention, a decision to do so may well amount to the beginning of an inventive step. Here, to look for a product possessing special thermoplastic and elastomeric qualities in a 20-year-old patent concerned with producing dyeable fibres involves, *prima facie*, an inventive approach.

Third, disclosing a prior invention does not amount to prior publication of a later invention if the former merely points the way which might lead to the latter. A much quoted and useful passage is that from the judgment of the

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Court of Appeal in General Tire & Rubber Co v Firestone Tyre & Rubber Co [1972] RPC 456 at 486. There Sachs LJ said:

A signpost, however clear, upon the road to the patentee’s invention will not suffice. The prior inventor must be clearly shown to have planted his flag at the precise destination before the patentee.

Attractive metaphors may be dangerous for those in search of precision, but the passage illustrates the necessity that the alleged prior disclosure must clearly indicate that use of the relevant material (ie that ultimately selected) does result in a product having the advantages predicted for the class. The point is well put by the New Zealand Court of Appeal. Dealing with semi-synthetic penicillin, the court (per Cooke J) said:

If such a compound has not been made before, its properties often cannot be predicted with any confidence: and where that is the case we do not consider that the invention claimed can fairly or accurately be described as ‘published’, even if a skilled chemist would realise that to make the compound by routine means would be practicable. A making of the compound and a discovery of its properties is necessary before the ‘invention’ has occurred and can be published.

This is in line with, but adds a useful precision to what was said by Maugham J: ‘It must be remembered, of course, that the selected compounds have not been made before, or the patent would fail for want of novelty.’ (IG Farbenindustrie AG’s Patents, at p 321.)

In Kaye v Chubb & Sons Ltd [1887] 4 RPC 289, Lord Esher MR, too, had referred to ‘any clear conclusion ... either as to the result or as to the means’ at p 298.

I do not think that there is any inconsistency between the principle so stated and those authorities which are concerned with the degree of information necessary to enable a product to be made (see Gillette Safety Razor Co v Anglo-American Trading Co Ltd 30 RPC 465; C Van Der Lely NV v Bamfords Ltd [1963] RPC 61; Ransburg Co v Aerostyle Ltd [1968] RPC 287). When one is dealing with this question, the fact that the product has not been made or tested may well be irrelevant, but different considerations arise when the issue is as to the field left open for subsequent researchers.

It is the absence of the discovery of the special advantages, as well as the fact of non-making, that makes it possible for such persons to make an invention related to a member of the class.

Applying the law as I have endeavoured to state it, I have no doubt that the invention made by Du Pont was not disclosed or published by ICI. The latter merely indicated that the use, with other ingredients, of one preferred glycol would produce a compound with particular qualities, suggesting at the same time that use of any one of the other eight glycols would produce the same result. There was no statement that any of these others had in fact been used or that the product resulting therefrom had been found to have any particular advantages. That left it open to Du Pont to select one of them, to exercise upon it inventive research, and to discover that the product so made had valuable properties in a different field. I do not therefore understand how it can be claimed that this product, with its advantages, had been anticipated by ICI.
It is said by the opponents that it is wrong for Du Pont to seek to monopolise one of the products envisaged by ICI which has now passed into the public domain through expiry of the ICI patent. If the Du Pont invention had been made during the currency of the ICI patent, Du Pont, though entitled to exploit its invention, would have had to obtain a licence from ICI to make a product covered by ICI’s patent. Now that ICI’s invention is in the public domain, there is no need for such a licence and there is no basis in law on which Du Pont’s monopoly can be cut down. That Du Pont is able to carve out a new monopoly out of the area claimed by ICI is an inevitable consequence of the doctrine of selection patents. In spite of this, ICI would have been able during the currency of its patent to exploit its preferred product, and variants of it, by use of any of the other diols (other than 1,4-butanediol). And similarly such use remains available to the public. There is no reason why either ICI or the public should be able to prevent Du Pont from using its own invention: so to prevent it would remove the possibility of selection patents.

For these reasons I agree with the judgments of Whitford J and the Court of Appeal and would dismiss the appeal.

Lord Simon of Glaisdale said:

These citations suggest what is the meaning of ‘class’ for the purpose of the law of selection patents. It is a group of products or processes from all of which some particular result or results may be predicted. So, too, products or processes are ‘related’ or ‘homologous’ if some similar result may be predicted of them as may be predicted of other members of the class, and especially of any product or process (also a member of the class) for which a given result has been claimed. If from such a class of related or homologous products or processes a property, quality or use is discovered which could not have been predicted by anyone ordinarily skilled in the art in question, that discovery may be an invention giving rise to a valid selection patent.

If such is the nature of the ‘class’ for the purpose of selection patent law, ‘specific’ must for the purpose of that law stand in contradistinction. The product or process will be specifically patented and as such published in priority, so as to be effectively monopolised and unavailable for any later patent, if it is identified in the earlier specification but is not in that specification a member of a ‘class’ (in the sense suggested above). Even then it will not bar a later patent if it is no more than a starting point on the road to a new invention – is merely what counsel for the appellants called an ‘enabling disclosure’. In Hill v Evans [1852] 4 De GF & J 288, Lord Westbury said at pp 307, 308:

I cannot find in any of those [earlier] patents a clear, distinct and definite indication of the admittedly beneficial discovery that was afterwards made by the plaintiff.

And in General Tire & Rubber Co v Firestone Tyre & Rubber Co Ltd [1972] RPC 457 at 486, Sachs LJ said:

A signpost, however clear, upon the road to the patentee’s invention will not suffice. The prior inventor must be clearly shown to have planted his flag at the precise destination before the patentee.
It is not necessary to decide what is the consequence of a new quality or property or use being found in or for a product or process part of a class given in a previous specification but therein also made the subject-matter of a formal example. Counsel for the respondents was prepared to concede that the product or process would thereby be so successfully monopolised as to be unavailable as the subject of a valid selection patent. It seemed to Buckley LJ in the Court of Appeal (p 395) that such a concession might be necessary, though he refrained from expressing a concluded view. I would myself prefer to leave the point open. Counsel for the appellants urged powerfully that, if the respondents’ general contention was correct, then the polyester using 1,4-butanediol would be effectively monopolised for all purposes; so that it could be taken out of the public domain at the end of the monopoly period – in the instant case, for example, reomonopolised to be used by Du Pont even for dyeing purposes.

This point may to some extent be bound up with the question whether the concession I have just referred to had to be made. You cannot obtain a valid patent generally for the discovery of a new quality in or use of a known product or process. But, as Lord Wilberforce pointed out, this does not apply when the new quality or use is discovered in or for a product or process which is merely a member of a class (in the sense used in selection patent law). The subject of the selection patent is the inventive step as described by Lord Diplock. I am not convinced that this necessarily involves that the different inventive step the subject-matter of the earlier patent is subsumed. But, if it were, that would be something inherent in the very concept of selection patents, which inevitably involve the taking over by a later patent of part of an area previously claimed in an earlier one for a ‘class’.

Applying the foregoing to the instant appeal, the compound of TPA and 1,4-butanediol was a member of a class of nine glycol compounds in the ICI patent. It could not have predicted that this class of nine glycols, singly or seriatim, named or innominate, would have any property or quality giving novel utility in injection moulding etc. The compound in the ICI patent was not ‘specific’ within the meaning of selection patent law. Du Pont’s discovery that the compound of TPA and 1,4-butanediol had the said unpredictable property or quality meant that the discovery was an inventive step such as would give rise to a valid selection patent. Until it had been made and tested for such property or quality it was not ‘known or used’ within the meaning of s 32(1)(e) of the Patents Act 1949.

It follows that I respectfully agree with the judgments of the courts below; and I would dismiss the appeal.

INVENTIVE STEP

An invention involves an inventive step if it would not be obvious, compared with what is already known, to someone with good knowledge and experience of the subject. All matter forming part of the state of the art is to be taken into account, but not in this instance matters included in patent
applications with earlier priority dates published after the invention’s priority date. (Such applications form part of the state of the art when considering novelty.)

Section 3 provides:

An invention shall be taken to involve an inventive step if it is not obvious to a person skilled in the art, having regard to any matter which forms part of the state of the art by virtue only of s 2(2) above (and disregarding s 2(3) above).

In *Williams v Nye* (1890) 7 RPC 62 (CA) the plaintiff patented a machine for making sausages in which a mincing machine and a filling machine, both of which were known, were combined. The defendant in an action for infringement of the patent put its validity in issue on the ground that the alleged invention consisted simply in joining two well-known machines. Lindley LJ said:

I also think that, having regard to Gilbert and Nye’s patent, the present appeal cannot be supported. Gilbert and Nye’s patent consisted of two things: first of all there was the cutting part: and then there was the filling part, that filling part being a screw which operated upon the cut meat and forced it along into the skin which had to be filled. Donald improved the cutting part. He did nothing to the filling part, but left it out. Therefore what has the plaintiff done? He has simply taken, so far as I can see, Gilbert and Nye’s invention, and has substituted Donald’s cutter for Gilbert’s cutter. That is the whole of what he has done. I do not think a patent can be granted for that considering that the object was perfectly well-known; that the utility of the forcing nozzle was known; that the object of it had been attained before, and there is nothing which amounts to what is understood by an invention. I think in principle the decision in *Harwood v The Great Northern Railway Company* (1864) 11 HL (at 654) governs this case, and that the patent must be held invalid.

The requirement for an inventive step is not unrelated to the requirement of novelty. If an invention has already been disclosed it forms part of the prior art, and therefore (except in the special case of an earlier unpublished patent application) the invention cannot involve an inventive step. But the need for an inventive step goes further; even if the invention is new, it may be obvious, but no one ever thought of it before, or if they did they failed to tell anyone.

Consideration of obviousness involves a ‘skilled worker’ test, similar to that used when considering novelty. In the case of obviousness, statute specifically provides for this test.

The 1949 Act also specified that the invention must not be obvious, and that it must involve an inventive step: so the old cases are still pertinent. The meaning of ‘obvious’ is not elaborated on in the Act. In *General Tire & Rubber Co v Firestone Tyre & Rubber Co* [1972] RPC 457, Sachs LJ in the Court of Appeal considered the meaning of the word:
Obviousness

(1) General

Section 32(1), head (f) of the 1949 Act reads:

that the invention, so far as claimed in any claim of the complete specification, is obvious and does not involve any inventive step having regard to what was known or used before the priority date of the claim in the UK.

In relation to the word ‘obvious’ we were assisted by Sir Lionel Heald reminding us as to how this word came to be introduced into patent law – referring us to the speeches of Lord Herschell in the American Braided Wire case [1889] 6 RPC 518 at 528 and in Vickers v Siddell [1890] 7 RPC 292 at 305. There were also cited to us a considerable number of cases in which the meaning of this word was discussed in relation to particular facts. We agree, however, with what was said by Diplock LJ (as he then was) and Willmer LJ in the Johns-Manville case [1967] RPC 479 at 493 and 496 deprecating ‘coining’ phrases which may later be suggested to be of general application. ‘Obvious’ is, after all, a much-used word and it does not seem to us that there is any need to go beyond the primary dictionary meaning of ‘very plain’.

When head (f) is invoked it is, of course, as previously indicated, for whoever seeks revocation of a patent to show that the alleged inventive step was obvious to a normally skilled addressee in the art. On the way to that end there are here a number of preliminary questions to be resolved. These include the common general knowledge to be imputed to that addressee; whether what had to be done to achieve the step was truly a matter of inventive experiment or merely a matter of that type of trial and error which forms part of the normal industrial function of such an addressee – what documents he would find in the course of such researches as he would be expected to make; and how he would regard those documents in the light of common general knowledge. Then finally one has to consider whether the step is properly described as a new combination of integers or merely as a collocation of old ones. None of these questions, some of which inevitably overlap, is easy to resolve, and on each it is for the appellants to establish their contentions.

As regards obviousness as a whole the trial judge approached the matter correctly when he said [1970] FSR at 302:

The question of obviousness is seldom easy to decide. It has been said to be a kind of jury question and, in the days when patent actions were tried before a judge and jury, was treated so. The decision is ultimately one for the court which cannot let its function in this respect be usurped by the witnesses, though undoubtedly the evidence of the witnesses may help the court to arrive at its decision. It must be decided objectively and, being a jury question, it is right that all the relevant circumstances of the case should be taken into account. That this is the correct view of the matter is clear both from the old cases and the new.
His observations naturally apply with equal force to each of the questions which need resolution on the way to giving a final answer on the issue. It is as well in relation to the evidence in the instant case at this point to refer to the need for objective as opposed to subjective tests. The question is whether the step was obvious to a normally qualified skilled addressee in 1950 – as opposed to the person who in fact claims to be the inventor or to any particular rival of his. Indeed, it is not infrequent that the inventor is not himself called as a witness in a patent action. That, however, does not rule out evidence as to how the problems were in fact approached at the relevant time by the patentee, by his rivals, or by others. What they did may provide significant signposts leading to the answer to the objective test. In this behalf the literature – both the widely read documents and the internal memoranda of Goodyear and the Office of Rubber Reserve already mentioned provide valuable evidence as also do the actual experiments carried out by the plaintiffs in the year preceding the date of the patent in suit – though this material happens originally to have been admitted into evidence on an issue other than obviousness.

(2) The Semperit and Wilmington specifications

With those preliminary observations it is convenient at the outset to consider Mr Templeman’s strongly pressed submission that although the Semperit and Wilmington specifications formed no part of the common general knowledge of the skilled addressee, yet when we consider the issue of obviousness he must be deemed to have seen and read every word of them. His primary contention was that the addressee must be deemed to be a man who as regards every potentially relevant specification ‘sits down, reads and knows every word in it’ and is a man with an ‘enormous memory’. In the alternative he argued that the addressee must be taken to have made a diligent search (see the Technograph case, per Lord Reid [1971] FSR at 193-D) for all relevant documents including specifications, and that upon such a search he would have come across Semperit (a), Semperit (c) and Wilmington. In either case it was urged that this addressee must be deemed to have fully read the three specifications and that, keeping them simultaneously in mind, in addition to the widely read publications, the alleged inventive step or steps would have been obvious to him.

If the primary submission is correct then as regards specifications the word ‘known’ in head (f) of s 32(1) includes all public knowledge and thus embraces everything that is ‘published’ within the meaning of that word as defined in s 101 of the 1949 Act: moreover, it makes the words ‘known or used’ in relation to obviousness have the same meaning as in head (e) which deals with anticipation. On this point there was a divergence of opinion in the Technograph case between Lord Reid (with whom Lord Morris of Borth-y-Gest agreed) and Lord Diplock. The former at p 193 said:

Attention was drawn to the fact that both heads (e) and (f) in s 32 contain the words ‘having regard to what was known or used ... in the UK’. I doubt whether they were intended to mean the same in each case. If they were there would now be little, if any, difference between novelty and obviousness.
and a little later stated:

I think that in head (f) the words should have the more natural meaning of what was or ought to have been known to a diligent searcher.

Lord Diplock, on the other hand, when discussing head (f) said at p 201:

I do not, as at present advised, think that the meaning of those words is any different in paragraph (e).

Both opinions were obiter in view of concessions made in their Lordships’ House, and having regard to what we are about to determine on the assumption that Lord Diplock’s view is correct we do not find it necessary to decide between them on this important question, which manifestly needs an authoritative answer in due course.

In case, however, this matter goes further and our determination on that assumption is found not to be correct, we think it apposite to say that as at present advised we would, if it is open to us, have been disposed to hold that ‘known’ in head (f) does not include everything that comes within the definition of ‘published’ in s 101: and we note that the word ‘published’, although it appears in s 14(1)(e) (which deals with obviousness in relation to oppositions to grants), is not incorporated into head (f) of s 32(1), which incidentally uses language very different to that in head (a).

We would add that we find some cogency in the observation in Halsbury’s Laws of England, Vol 29, p 30, para 63:

It would be absurd to presume that knowledge of every publication affecting any branch of industry or art must be simultaneously in the mind of a person engaged therein

although those words relate to common general knowledge. No authority binding on us was cited which states in general terms any proposition as wide as that of Mr Templeman’s primary submission, nor indeed any which seems to make it necessary to give the word ‘known’ in head (f) a meaning other than one natural in relation to a real person who is a skilled addressee – and that meaning would include what a competent addressee ought to know, but would not burden him with anything further in the nature of constructive notice.

As regards diligent search, a phrase which we were given to understand originates from Lord Reid in Technograph (above), we take this as apt to describe what research groups employed by large-scale concerns, such as those in the Technograph case and in the instant case, ought to know. Such researches, however, can involve not only heavy expenditure but also questions of priorities in the use of available manpower. What extent of search is appropriate in a given case and what would be its probable results are questions of fact. On these we have not the advantage of the views of the trial judge, who delivered judgment before the date of the Technograph decision in the House of Lords.

We have already referred to the location of the Semperit specifications and to the main clues to their existence. We also have before us some evidence
from the appellants’ witnesses as to searches made with a view to finding material with which to attack the patent in suit. Those searches were, of course, initiated with advance knowledge that those concerned were looking for ‘material relating to oil-extended rubber’. The person who actually found the Semperit documents was not called: but a Mr Jackson, employed to make such searches, was in fact occupied upon them in various directions for some four to six weeks. Dr Duck expressed the view that whilst he might have got ‘an enormous fee’ for the search, yet if one is determined enough one can find anything, and did not consider that there would have been difficulty in bringing the Semperit specifications to light.

Taking the evidence as a whole, and having looked at the terms of the abridgments (GS p 8,220 and 8,217) available in Book 8 of Vol 3 of the Patent Office, we doubt whether, on balance of probabilities, a normally diligent search by persons seeking a solution to the problem of the ‘gap’ mentioned earlier in this judgment but not knowing the answer in advance would have brought Semperit (a) or Semperit (c) to attention as potentially useful material. It may perhaps be pertinent to note that these applications, unlike the Wilmington specification, were not mentioned to us as having been relied upon in the course of the lengthy opposition proceedings which, as previously mentioned, occupied some five or six years.

There was also an attack on the inventiveness of the patent in suit in Genentech’s Application, a key decision of the Court of Appeal on the patentability of biotechnology inventions (on which see further below). Dillon LJ’s judgment contains the following comments about inventiveness:

- The next question, which is fundamental to this appeal, is whether the invention involved an inventive step or was obvious to persons skilled in the art.

- This is always a difficult question where highly specialised science or technology is involved. The judge was of the view that there was an inventive step – see his judgment at p 596 lines 14–21. Otherwise he could not have been prepared to uphold even claims 9 and 19. But it is clear that in this court we have to evaluate the evidence afresh and form our own independent opinion, as is explained in Benmax v Austin Motor Co Ltd (1955) 72 RPC 39.

- It is common ground that the persons skilled in the art in the present case, for the purposes of s 3 of the 1977 Act and the test of obviousness, would be a team of persons, each of whom would be the holder of a PhD in a relevant field of science. They are thus necessarily persons of very considerable intellectual capacity, but by force of the terms of the section whatever is obvious to them has to be obvious without any inventive step of their part.

- It is agreed between the experts that at the relevant time, in early May 1982, the production of quantities of t-PA adequate to treat human patients suffering from blood clots was known to be a desirable objective and it is further agreed that the Bowes melanoma cell-line was then available and was known to be a source of t-PA and of the corresponding mRNA. It was of course then known that the nucleotide and amino acid sequences of t-PA existed, though their composition was not known. All the steps taken by Genentech in finding out

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the composition of the sequences and applying that knowledge to produce human t-PA, as defined in the specification, by recombinant DNA technology were applications of known technology, and no step was by itself inventive.

It is not in doubt that empirical research industriously pursued may lead to a patentable invention. This was stated by Lord Simonds in *May & Baker Ltd v Boots Pure Drug Co Ltd* (1950) 67 RPC 23 at 34, a case concerned with the discovery of two new sulphathiazole drugs, and the application of those drugs for medicinal purposes. What Lord Simonds said was amplified by Lord MacDermott at p 50 as follows:

The problem was to find some substance at once less toxic and more effectual against certain infections than sulphanilamide. Each of the new compounds provided a solution. They were produced by known methods from known materials and the inventive step lay in the discovery of their virtue as drugs. This achievement was not the result of applying any known principle or law of nature. It was entirely empirical. No doubt the inventors used skill and experience of a high order in selecting a profitable line of research. But they had not means of knowing that success had crowned their efforts until the new products had been tested by experiment.

The patent merited by such empirical research ought to have been limited to the actual new drugs discovered. No question of obviousness was however raised in that case, but that, as it seems to me, was because the drugs discovered were indeed new and the profitable line of research selected by the inventors was not obvious.

There are also observations in relation to scientific discoveries, in particular in the field of antibiotics, by Lord Diplock in his dissenting speech in *American Cyanamid Co (Dann’s Patent)* [1971] RPC 425, where he said at p 451:

Since the original discovery of the therapeutic uses of antibiotics and of the methods of aerobic fermentation by which they can be produced from micro-organisms to be found in nature, further advances in this field of medicine have been achieved by searching for and finding hitherto unidentified strains of micro-organisms existing in the natural state from which useful new antibiotics can be prepared by what is now a well-known standard process. The task of finding such a strain of micro-organism, calls for the exercise of technical proficiency and is laborious and very costly, for the odds against success are large. It is not easy to see what inventive step, as distinct from the mere exercise of proficiency and practice, is involved in this kind of research, but the result of success in it is a new product useful to humanity which does not exist in nature. If such research is to be encouraged in a competitive society, the monetary rewards of success must be assured to those who undertake the expense; and the means of doing so in this and in most other countries with comparable social systems is by according to the successful discoverer of the new product the controlled and limited monopoly granted for inventions under the national patent laws.

and at p 452:
It is in my view consistent with this basic policy to treat the kind of research involved in the discovery of a strain of micro-organism from which a new and useful antibiotic can be prepared as an activity which entitles the person who undertakes it to a temporary monopoly under the Patents Act 1949, of the product of his success. I accept, therefore, the extension of the concept of ‘invention’ to include antibiotics which are discovered through this kind of research. But if this is to be done without defeating the basic policy of the Act one must also accept the necessary corollaries in the interpretation of those parts of it which deal with the information to be provided as the counterpart of the temporary monopoly granted to the inventor.

These observations were adopted by Whitford J in the present case, and, as general statements of the law they are not challenged by Mr Jacob for the respondents. They were however obiter, in that there was no issue in the American Cyanamid case as to the patentability, as such, of the new antibiotic which had been discovered; the question was whether the disclosure in the patent was inadequate because strains of the newly discovered micro-organism had not been deposited and so were not available to the reader of the patent. Lord Diplock was therefore not concerned with any question of obviousness. Whitford J seems however to have deduced in the present case from Lord Diplock’s observations that as the work of Genentech involved, as he put it at p 596, laborious and costly effort amounting to rather more than the exercise of proficiency, it therefore involved an inventive step and cannot have been obvious to persons skilled in the art, within the meaning of s 3 of the 1977 Act. I have great difficulty in seeing the logic of this, since (as I have already said) Lord Diplock was not concerned with obviousness, and in the American Cyanamid case a new product had been found by following a line of empirical research which may well not have been obvious to anyone.

Lord Diplock was indeed concerned with obviousness, as Diplock LJ, in the case of Johns-Manville Corp’s Patent [1967] RPC 479. At pp 493–94 he expressed the view that the case that an allegedly inventive idea was at the priority date ‘obvious and clearly did not involve any inventive step’ would have been made out if before the priority date the man skilled in the art would have thought the idea well worth trying out in order to see whether it would have beneficial results. He took the view that it would be enough that the person skilled in the art would assess the likelihood of success as sufficient to warrant actual trial, without postulating prior certainty of success. In Olin Mathieson Chemical Corp v Biorex Laboratories Ltd [1970] RPC 157, Graham J formulated the question at pp 187–88 as being whether a notional research group at the relevant date would have been directly led to try a certain idea, in the expectation that it might well produce a useful result. Again certainty of success was not postulated. In Philips (Bosgra’s) Application [1974] RPC 241 at 251, Whitford J held that to render an invention obvious it was not necessary that the materials in question should have been the first choice of the notional research worker; it was enough that the materials were ‘lying in the road’ and there for the research worker to use.

By the various tests set out in the immediately foregoing paragraph it was indeed obvious, in my judgment, to the person skilled in the art to set out to
Patents

produce human t-PA by recombinant DNA technology. At least four teams did just that at about the same time. The evidence of those at Leuven and Umea as to their choice of projects is particularly relevant. The end was a known desiderandum, and to produce by oligonucleotide probing was, if not the first choice of each team, an early choice which lay in the way, ready to hand. It was indeed at one stage submitted for Genentech, as I understood Mr Gratwick, that it was not made out that the person skilled in the art would have known of the process of screening a library by the use of oligonucleotide probes, but in my judgment the evidence is ample that the process was well-known.

If indeed no one else had set to clone t-PA and produce human t-PA by recombinant DNA technology, the position on obviousness would, I apprehend, have been very different, and it could then have been said that a novel idea for a project, carried through with painstaking skill and proficiency to a successful end, involved an inventive step and merited patent protection. Even so, there would have been scope for much argument on the proper width of the claim.

As it is, however, the main argument for Genentech on the question of obviousness to persons skilled in the art has been that the hypothetical team of persons skilled in the art, even if they had thought of trying to do so, would not have succeeded in discovering the sequences. This is put, not on the basis that there was anything novel or original in the technology used by Genentech in discovering the sequences (since admittedly there was not) but on the basis that the person ‘skilled in the art’ has come by judicial interpretation to mean the person only moderately skilled in the art. Indeed the running thread that showed through Mr Gratwick’s very detailed analysis of the evidence was that whenever anything was required to be done, in the discovery of the sequences, that required skill in the art, the ‘person skilled in the art’ would, almost ex hypothesi, have been able to do it.

The foundation for this submission appeared to be the decision of this court in Valensi v British Radio Corp [1973] RPC 337. That case was however concerned with a different question, namely, the question, which now arises under ss 14(3) and 72(1)(c) of the 1977 Act, whether the specification of a patent, or application, discloses the invention clearly enough and completely enough for it to be performed by a person skilled in the art. It was held, and the good sense of the conclusion is obvious, that the hypothetical addressees were not – or were not merely – persons of exceptional skill and knowledge, like the expert witnesses in that case, but skilled technicians from whom a team could be constituted which would possess the common knowledge of those in the relevant arts but would not have the capacity to make elaborate additions to or modifications of what was disclosed in a specification. The application of that to the question of obviousness and inventive step under s 3 of the 1977 Act might in an appropriate case be that if a new line of research or some other original step would only have occurred to a particularly brilliant or inventive person in the art, and not to persons skilled in the art generally, then that line of research or original step was inventive and not obvious. That is not, however, this case since the production of human t-PA by recombinant DNA technology was an obvious choice as a line of research, and the discovery of the sequences was achieved by known technology without any original step.
In such a case as the present, the ability of the person skilled in the art, or moderately skilled in the art, to perform known techniques has, in my judgment, nothing to do with the question of obviousness or inventive step under s 3. I cannot see that there is an inventive step in the use by Genentech among the processes by which they discovered the sequences of a known process not devised by Genentech which only persons of high skill in the art – of whom there are many – have the ability to perform.

Mustill LJ explored the notion of the person skilled in the art:

... The trouble is, of course, that in a case like this no such person exists. The successful pursuit of Genentech’s research required the deployment of techniques in more than one field: for example, protein sequencing, handling mRNAs, building a library, making a probe. I am satisfied on the evidence that there was nobody who united in himself (or herself) all the knowledge and practical skills in each field to a sufficient extent to carry out any kindred project, even if assumed to be non-inventive, on his own. This fact has two corollaries neither of which I understood to be in dispute. First, that the hypothetical person is a team of persons. Second, that since the search embraced a series of arts, the obviousness of any particular contribution to the ultimate success must be adjudged by reference individually to the hypothetical members of the team, attributing to each the appropriate degree of skill.

The next question relates to the staffing and equipment of the team, a topic on which there appears to be no authority. As to staffing, this arises because some of the teams sent the work of sequencing or probe manufacturing to workers or laboratories outside.

I see no problem here. Once it is accepted that the hypothetical team is practising a variety of arts through a variety of individuals, it seems to me that it makes no difference whether they are conceived to be working together as a single unit, or whether the notional individuals against whose notional skills the obviousness of the invention is to be tested are regarded as sub-contractors. The standard for skills is the same.

The question of equipment is more puzzling, largely, I believe, because traditional patent law, and indeed the current legislation, is ill at ease with this type of complex and rapidly developing new technology. It seems to me, however, that since we are looking to distinguish the inventive spark from a triumph of method, we should credit the hypothetical team with the best available equipment to see whether, so equipped, they could have found their way to a solution without exceeding the permitted maximum of inventive thinking.

Commercial success goes a long way to showing that an invention was not obvious. If it was it would have been thought of before if it satisfied such a need. However, the question of obviousness is decided according to technical, not commercial, considerations.

In Technograph Printed Circuits Ltd v Mills & Rockley (Electronics) Ltd (referred to in the previous judgment) the invention (a method for making
printed circuit boards using silk screening) was not an immediate commercial success because manufacturers could sell all they wanted using old manufacturing techniques. The invention was not used for some years, but then it was highly successful, but commercial success may be attributed to other factors, such as advertising (see Mölnlycke AB v Proctor & Gamble Ltd (No 3) (1990)).

A second use of existing technology may satisfy the inventive step requirement (though novelty may be difficult to prove). In Parks-Cramer Co v G W Thornton & Sons Ltd (1966) the patentee solved a long-standing problem concerning cleaning the floor between textile machines. The invention consisted basically of an overhead vacuum cleaner. In the High Court the judge considered this obvious. The Court of Appeal overturned the first instance judgment, giving weight to the many unsuccessful attempts to solve the problem and to the immediate commercial success of the invention. Diplock LJ said:

... ‘Obviousness’ is not a concept which can be clarified by elaborate exegesis, and we do not propose to cite the many cases to which we have been referred in which various judges at various times, both before and after the phrase ‘is obvious and does not involve any inventive step’ was first inserted in the Patents Acts, have expressed the concept of obviousness, or lack of subject-matter as it was previously called, in various ways appropriate to the particular invention whose validity was challenged on this ground.

There is, however, one authority which we must mention, for it was upon this rather than upon the short and simple phrase used in the statute that counsel for the defendants chiefly relied to support his contention that claim 1 was invalid. It was the case of Gadd and Mason v Manchester Corporation (1892) 9 RPC 516 which contains the much-cited words of Lindley LJ:

1. A patent for the mere new use of a known contrivance, without any additional ingenuity in overcoming fresh difficulties, is bad, and cannot be supported. If the new use involves no ingenuity, but is in manner and purpose analogous to the old use, although not quite the same, there is no invention: no manner of new manufacture within the meaning of the Statute of James.

2. On the other hand, a patent for a new use of a known contrivance is good and can be supported if the new use involves practical difficulties which the patentee has been the first to see and overcome by some ingenuity of his own. A new thing produced by some new and ingenious application of a known contrivance to an old thing, is a manner of manufacture within the meaning of the statute ... If, practically speaking, there are no difficulties to be overcome in adapting an old contrivance to a new purpose, there can be no ingenuity in overcoming them, there will be no invention, and the first rule will apply. The same rule will, I apprehend, also apply to cases in which the mode of overcoming the so-called difficulties is so obvious to everyone of ordinary intelligence and acquaintance with the subject-matter of the patent, as to present no difficulty to any such person. Such cases present no real difficulty to
people conversant with the matter in hand, and admit of no sufficient ingenuity to support a patent.

As Lord Parker LCJ said recently of this same citation in *re Lister & Co’s Patent* [1965] FSR 178 ‘there is a real danger when one has a criterion laid down like that, a criterion adopted over and over again in later cases, of treating the words used as if they were the words of a statute’. We agree and would add that it seems to us that there is an additional danger in summarising what Lindley LJ said by calling it ‘the doctrine of analogous use’, since this involves selecting a single and imprecise adjective to convey the characteristics of a particular kind of obviousness, which it took the expositor of the doctrine 18 lines of print to express. What Lindley LJ meant by an ‘analogous use’ of a known contrivance is plain from what he said. The new use to which the known contrivance is put must involve no ingenuity, *scilicet* it must itself be obvious: the manner in which the known contrivance is used and the purpose for which it is used must *both* be similar to the previous manner and purpose of its use though they need be ‘quite the same’.

As in all other cases of obviousness, the question is one of degree. There may be an inventive step in recognising that a problem exists at all: but given a problem which is known to exist which it is the object of the invention to solve, the question always is: ‘Is the solution claimed by the patentee one which would have occurred to everyone of ordinary intelligence and acquaintance with the subject-matter of the patent who [have] his mind to the problem?’

A court, however experienced in the field of patents for inventions, cannot have the same acquaintance with the subject-matter of a particular patent as those whose work has been concerned with the particular kind of manufacture in which the disputed invention is intended to be used. Where the evidence discloses that the existence of a problem and the desirability of finding a solution to it has been recognised by those conversant with the problem in hand, the steps which were in fact taken to solve the problem before the priority date of the patent may provide very cogent evidence as to whether the solution adopted by the patentee was obvious or not.

The evidence in the present case shows that the problem of preventing the accumulation of fly upon the floors of cotton mills in the aisles and under the machines themselves, and the desirability of collecting and removing it continuously while it was being produced, was recognised early in the 1950s. It shows too that attempts to solve it were made throughout the period from 1952–58 not only by the plaintiffs but by at least two other inventors and that the plaintiffs’ efforts to find a solution went to the lengths of putting on the market machines which afforded some alleviation of the problem but were not a commercial success. These attempts by the plaintiffs and others had one feature in common, that they all involved blowing currents of air across the floor of the mill in one direction to drive the fly towards collecting points. One thing which did not in fact occur to anyone of average intelligence was that the solution lay not in blowing the fly towards fixed collecting points but in

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5 ‘That is to say’ – the sort of expression one encounters time and again in Lord Diplock’s judgments.
passing a suction nozzle repeatedly over the same relatively narrow track in the aisles while the machines were in production. The solution embodied in the plaintiffs’ patent was an immediate commercial success, not only for the plaintiffs themselves, as sellers of the patented apparatus – such commercial success may be due to other causes than the intrinsic usefulness of the apparatus – but also for the users of the apparatus who achieved substantial savings in production costs from its use.

This evidence fortifies the view which we have already expressed that it was not obvious that by causing a vacuum cleaner to traverse at frequent intervals, the same relatively narrow path along the aisle between the machines it would collect the fly not only from that part of the floor which was directly in its path but also from the rest of the floor as well: and if this is what the plaintiffs’ invention claims it is in our judgment valid.

It has, however, been argued by the defendants that the specification by using the word ‘repeatedly’ does not sufficiently disclose the need for frequent passage of the suction nozzle along the aisles. It would cover, it is suggested, a method in which the nozzle traversed the aisle once every two hours – like the former labourer with the broom. If there is substance in this objection it would seem to go to sufficiency or to utility rather than to obviousness, for if the apparatus traversed the aisles at such lengthy intervals, it would not perform its stated task. But we do not think there is any substance in it. It is well-settled that where general dimensional words of this of this kind are used in a claim they must be given the meaning which they would convey to an intelligent person conversant with the subject-matter reading the specification as a whole. (See British Thompson-Houston Co v Corona Lump Works (1922) 39 RPC 49 at 76, 77.) At the date of the specification travelling cleaning equipment moving upon rails above the rows of machines was a commonplace, and the pace at which such equipment travelled was well-known. This is the sort of pace which we should expect someone familiar with cotton mills to understand from the expression ‘repeatedly moving the said suction current longitudinally of an aisle’. But the matter does not end there. The specification contemplates that the patented apparatus would be used in conjunction with such blowing equipment and where this was done would travel upon the same rails and therefore, of necessity, move at the same pace. Thus the word ‘repeatedly’ tells the well-versed reader all he needs to know to make the process work.

We are therefore of the opinion that claim 1 is valid: and it is conceded that if this be so the defendants have infringed it.

INDUSTRIAL APPLICATION

The requirement that an invention be capable of industrial application is generally the least difficult to comply with. It corresponds to the old requirement that the invention be a manner of manufacture. Section 4(1) states the principle:
Subject to subsection (2) below, an invention shall be taken to be capable of industrial application if it can be made or used in any kind of industry, including agriculture.

(2) An invention of a method of treatment of the human or animal body by surgery or therapy or of diagnosis practised on the human or animal body shall not be taken to be capable of industrial application.

(3) Subsection (2) above shall not prevent a product consisting of a substance or composition being treated as capable of industrial application merely because it is invented for use in any such method.

The expression ‘industry’ must be understood in its broadest sense. As the section tells us, it includes agriculture: indeed, almost any useful, practical activity is regarded as industry, but purely intellectual or aesthetic activities are excluded.

Public policy demands that medical practitioners and veterinary surgeons should not be constrained by other peoples’ patents when treating patients: John Wyeth & Brothers’ Application: Schering AG’s Application (1985). Methods of treatment themselves are therefore not considered capable of industrial application (s 4(2)) but just because a product is invented for use in a method of treatment does not stop it being patented. In Chiron Corporation v Organon Technika Ltd (No 3) [1994] FSR 202, the Patents Court (Aldous J) held that a patent for a diagnostic test for the hepatitis C virus was not a method of diagnosis practised on the human body.

EXCLUDED SUBJECT-MATTER

‘Excluded’ inventions

Some things are excluded from patent protection despite being ingenious, beneficial and unusual. Note that the exclusion applies to these matters ‘as such,’ so an invention which incorporates excluded matter may still be patented.

1(2) It is hereby declared that the following (among other things) are not inventions for the purposes of this Act, that is to say, anything which consists of:

(a) a discovery, scientific theory or mathematical method;
(b) a literary, dramatic, musical or artistic work or any other aesthetic creation whatsoever;
(c) a scheme, rule or method for performing a mental act, playing a game or doing business, or a program for a computer;
(d) the presentation of information;

but the foregoing provision shall prevent anything from being treated as an invention for the purposes of this Act only to the extent that a patent or application for a patent relates to that thing as such.
Computer programs

Computer programs were not patentable under the 1949 Act because they were not a ‘manner of manufacture’ (the predecessor of the industrial application requirement of the 1977 Act) but they could form part of a machine or industrial process. They must now be considered patentable where they have a novel technical effect. The leading US case of *Diamond v Diehr* (1981, Supreme Court) 450 US 177, 67 L Ed 2d 160, explains this approach (footnotes omitted):

Judge Rehnquist delivered the opinion of the court.

We granted *certiorari* to determine whether a process for curing synthetic rubber which includes in several of its steps the use of a mathematical formula and a programmed digital computer is patentable subject-matter under 35 USC § 101 [35 USCS § 101].

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The patent application at issue was filed by the respondents on 6 August 1975. The claimed invention is a process for moulding raw, uncured synthetic rubber into cured precision products. The process uses a mould for precisely shaping the uncured material under heat and pressure and then curing the synthetic material in the mould so that the product will retain its shape and be functionally operative after the moulding is completed.

The respondents claim that their process ensures the production of moulded articles which are properly cured. Achieving the perfect cure depends upon several factors including the thickness of the article to be moulded, and the amount of time that the article is allowed to remain in the press. It is possible using well-known time, temperature, and cure relationships to calculate by means of the Arrenhuis equation when to open the press and remove the cured product. Nonetheless, according to the respondents, the industry has not been able to obtain uniformly accurate cures because the temperature of the moulding press could not be precisely measured, thus making it difficult to do the necessary computations to determine cure time. Because the temperature *inside* the press has heretofore been viewed as an uncontrollable variable, the conventional industry practice has been to calculate the cure time as the shortest time in which all parts of the product will definitely be cured, assuming a reasonable amount of mould-opening during loading and unloading. But the shortcoming of this practice is that operating with an uncontrollable variable inevitably led in some instances to overestimating the mould-opening time and overcuring the rubber, and in other instances to underestimating that time and undercuring the product.

Respondents characterise their contribution to the art to reside in the process of constantly measuring the actual temperature inside the mould. These temperature measurements are then automatically fed into a computer which repeatedly recalculates the cure time by use of the Arrenhuis equation. When the recalculated time has elapsed since the press was closed, the computer signals a device to open the press. According to the respondents, the continuous measuring of the temperature inside the mould cavity, the feeding
of this information to a digital computer which constantly recalculates the cure
time, and the signalling by the computer to open the press, are all new in the
art.

The patent examiner rejected the respondents’ claims on the sole ground that
they were drawn to non-statutory subject-matter under 35 USC § 101 [35 USCS
§ 101]. He determined that those steps in respondents’ claims that are carried
out by a computer under control of a stored computer program constituted
non-statutory subject-matter under this court's decision in *Gottschalk v Benson*,
409 US 63, 34 L Ed 2d 273, 93 S Ct 253 (1972). The remaining steps – installing
rubber in the press and the subsequent closing of the press – were
‘conventional and necessary to the process and cannot be the basis of
patentability.’ The examiner concluded that the respondents’ claims defined
and sought protection of a computer program for operating a rubber-
moulding process.

The Patent and Trademark Office Board of Appeals agreed with the examiner,
but the Court of Customs and Patent Appeals reversed, *In Re Diehr*, 602 F 2d
982 (1979). The court noted that a claim drawn to subject-matter otherwise
statutory does not become non-statutory because a computer is involved. The
respondents’ claims were not directed to a mathematical algorithm or an
improved method of calculation but rather recited an improved process for
moulding rubber articles by solving a practical problem which had arisen in
the moulding of rubber products.

The government sought certiorari arguing that the decision of the Court of
Customs and Patent Appeals was inconsistent with prior decisions of this
court. Because of the importance of the question presented, we granted the
writ, 445 US 926, 63 L Ed 2d 758, 100 S Ct 1311 (1980).

Last term in *Diamond v Chakrabarty*, 447 US 303, 65 L Ed 2d 144, 100 S Ct 2204
(1980), this court discussed the historical purposes of the patent laws and in
particular 35 USC § 101 [35 USCS § 101]. As in *Chakrabarty*, we must here
construe 35 USC § 101 [35 USCS § 101] which provides:

> Whoever invents or discovers any new or useful process, machine,
manufacture, or composition of matter, or any new and useful
improvement thereof, may obtain a patent therefore, subject to the
conditions and requirements of this title.

In cases of statutory construction, we begin with the language of the statute.
Unless otherwise defined, ‘words will be interpreted as taking their ordinary,
contemporary, common, meaning’, *Perrin v US*, 444 US 37, 42, 62 L Ed 2d 199,
100 S Ct 311 (1979), and, in dealing with the patent laws, we have more than
once cautioned that ‘courts “should not read into the patent laws limitations
and conditions which the legislature has not expressed”’, *Diamond v
Chakrabarty*, above, at 308, 65 L Ed 2d 144, 100 S Ct 2204, quoting *US v Dubilier

The Patent Act of 1793 defined statutory subject-matter as ‘any new and useful
art, machine, manufacture, composition of matter, or any new or useful
improvement [thereof]’ (Act of 21 February 1793, ch 11, § 1, 1 Stat 318). Not
until the patent laws were recodified in 1952 did Congress replace the word ‘art’ with the word ‘process’. It is that latter word which we confront today, and in order to determine its meaning we may not be unmindful of the committee reports accompanying the 1952 Act which inform us that Congress intended statutory subject-matter to ‘include anything under the sun that is made by man’ (S Rep No 1979, 82d Cong, 2d Sess, 5 (1952); HR Rep No 1923, 82d Cong, 2d Sess, 6 (1952)).

Although the term ‘process’ was not added to 35 USC § 101 [35 USCS § 101] until 1952, a process has historically enjoyed patent protection because it was considered a form of ‘art’ as that term was used in the 1793 Act. In defining the nature of a patentable process, the court stated:

That a process may be patentable, irrespective of the particular form of the instrumentalities used, cannot be disputed ... A process is a mode of treatment of certain materials to produce a given result. It is an act, or a series of acts, performed upon the subject-matter to be transformed and reduced to a different state or thing. If new and useful, it is just as patentable as is a piece of machinery. In the language of the patent law, it is an art. The machinery pointed out as suitable to perform the process may or may not be new or patentable; whilst the process itself may or may not be altogether new, and produce an entirely new result. The process requires that certain things should be done with certain substances, in a certain order; but the tools to be used in doing this may be of secondary consequence (Cochrane v Deener, 94 US 780, 787–88, 24 L Ed 139 (1877)).

Analysis of the eligibility of a claim of patent protection for a ‘process’ did not change with the addition of that term to § 101. Recently, in Gottschalk v Benson, 409 US 63, 34 L Ed 273, 93 S Ct 253 (1972), we repeated the above definition recited in Cochrane v Deener, adding: ‘Transformation and reduction of an article to a “different state or thing” is the clue to the patentability of a process claim that does not include particular machines’ (409 US, at 70, 34 L Ed 273, 93 S Ct 253).

Analysing respondents’ claims according to the above statements from our cases, we think that a physical and chemical process for moulding precision synthetic rubber products falls within the § 101 categories of possibly patentable subject-matter. That respondents’ claims involve the transformation of an article, in this case raw, uncured, synthetic rubber, into a different state or thing cannot be disputed. The respondents’ claims describe in detail a step-by-step method for accomplishing such, beginning with the loading of a mould with raw, uncured rubber and ending with the eventual opening of the press at the conclusion of the cure. Industrial processes such as this are the types which have historically been eligible to receive the protection of our patent laws.

Our conclusion regarding respondents’ claims is not altered by the fact that in several steps of the process a mathematical equation and a programmed digital computer are used. This court has undoubtedly recognised limits to § 101 and every discovery is not embraced within the statutory terms. Excluded from
such patent protection are laws of nature, natural phenomena, and abstract ideas. See Parker v Flook, 437 US 584, 57 L Ed 451, 98 S Ct 2522 (1978); Gottschalk v Benson, above, at 67, 34 L Ed 273, 93 S Ct 2531; Funk Bros Seed Co v Kalo Inoculant Co, 333 US 127, 130, 92 L Ed 588, 68 S Ct 440 (1948). ‘An idea is not of itself patentable’, Rubber-Tip Pencil Co v Howard, 20 Wall 498, 507, 22 L Ed 410 (1874). ‘A principle, in the abstract, is a fundamental truth; an original cause; a motive; these cannot be patented, as no one can claim in either if them an exclusive right’ (Le Roy v Tatham, 14 How 156, 175, 14 L Ed 367 (1853)). Only last term, we explained:

[A] new mineral discovered in the earth or a new plant found in the wild is not patentable subject-matter. Likewise, Einstein could not patent his celebrated law that E=mc2; nor could Newton have patented the law of gravity. Such discoveries are ‘manifestations of ... nature, free to all men and reserved exclusively to none’ (Diamond v Chakrabarty, 447 US, at 309, 65 L Ed 2d 144, 100 S Ct 2204, quoting Funk Bros Seed Co v Kalo Inoculant Co above, at 130, 92 L Ed 588, 68 S Ct 440).

Our recent holdings in Gottschalk v Benson, above, and Parker v Flook, above, both of which are computer-related, stand for no more than these long-established principles. In Benson, we held unpatentable claims for an algorithm used to convert binary code decimal numbers to equivalent pure binary numbers. The sole practical application of the algorithm was in connection with the programming of a general purpose digital computer. We defined ‘algorithm’ as a ‘procedure for solving a given type of mathematical problem’, and we concluded that such an algorithm, or mathematical formula, is like a law of nature, which cannot be the subject of a patent.

Parker v Flook, above, presented a similar situation. The claims were drawn to a method for computing an ‘alarm limit.’ An alarm limit is simply a number and the court concluded that the application sought to protect a formula for computing this number. Using this formula, the updated alarm limit could be calculated if several other variables were known. The application, however, did not purport to explain how these other variables were to be determined nor did it purport ‘to contain any disclosure relating to the chemical processes at work, the monitoring of process variables, or the means of setting off an alarm or adjusting an alarm system. All that it provides is a formula for computing an updated alarm limit’ (437 US, at 586, 57 L Ed 2d 451, 98 S Ct 2522).

In contrast, the respondents here do not seek to patent a mathematical formula. Instead, they seek patent protection for a process of curing synthetic rubber. Their process admittedly employs a well-known mathematical equation, but they do not seek to pre-empt the use of that equation. Rather, they seek only to foreclose from others the use of that equation in conjunction with all of the other steps in their claimed process. These include installing rubber in a press, closing the mould, constantly determining the temperature of the mould, constantly recalculating the appropriate cure time through the use of the formula and a digital computer, and automatically opening the press at the proper time. Obviously, one does not need a ‘computer’ to cure natural or synthetic rubber, but if the computer use incorporated in the process patent
significantly lessens the possibility of ‘overcuring’ or ‘undercuring’, the process as a whole does not thereby become unpatentable subject-matter.

Our earlier opinions lend support to our present conclusion that a claim drawn to subject-matter otherwise statutory does not become non-statutory simply because it uses a mathematical formula, computer program, or digital computer. In *Gottschalk v Benson*, we noted: ‘It is said that the decision precludes a patent for any program servicing a computer. We do not so hold’ (409 US, at 71, 34 L Ed 2d 273, 93 Ct 253). Similarly, in *Parker v Flook*, we stated that ‘a process is not unpatentable simply because it contains a law of nature or a mathematical algorithm’ (437 US, at 590, 57 L Ed 2d 451, 93 S Ct 2522). It is now commonplace that an application of a law of nature or mathematical formula to a known structure or process may well be deserving of patent protection. See, for example, *Funk Bros Seed Co v Kalo Inoculant Co*, 333 US 127, 92 L Ed 588, 68 S Ct 440 (1948); *Eibel Process Co v Minnesota & Ontario Paper Co*, 261 US 45, 67 L Ed 523, 43 S Ct 322 (1923); *Cochrane v Deener*, 94 US 780, 24 L Ed 139; *O’Reilly v Morse*, 15 How 62, 14 L Ed 601 (1854); and *Le Roy v Tatham*, 14 How 156, 14 L Ed 367 (1853). As Justice Stone explained four decades ago:

> While a scientific truth, or the mathematical expression of it, is not a patentable invention, a novel and useful structure created with the aid of knowledge of scientific truth may be, *Mackay Radio & Telegraph Corp v Radio Corp of America*, 306 US 86, 94, 83 L Ed 506, 59 S Ct 427 9 (1939).

We think this statement in Mackay takes us a long way toward the correct answer in this case. Arrenhuis’ equation is not patentable in isolation, but when a process for curing rubber is devised which incorporates in it a more efficient solution of the equation, that process is at the very least not barred at the threshold by § 101.

In determining the eligibility of respondents’ claimed process for patent protection under § 101, their claims must be considered as a whole. It is inappropriate to dissect the claims into old and new elements and then to ignore the presence of the old elements in the analysis. This is particularly true in a process claim because a new combination of steps in a process may be patentable even though all the constituents of the combination were well known and in common use before the combination was made. The ‘novelty’ of any element or steps in a process, or even of the process itself, is of no relevance in determining whether the subject-matter of a claim falls within the § 101 categories of patentable subject-matter.

It has been urged that novelty is an appropriate consideration under § 101. Presumably, this argument results from the language in § 101 referring to any ‘new and useful’ process, machine, etc. Section 101, however, is a general statement of the type of subject-matter that is eligible for patent protection ‘subject to the conditions and requirements of this title’. Specific conditions for patentability follow and § 102 covers in detail the conditions relating to novelty. The question therefore of whether a particular invention is novel is ‘wholly apart from whether the invention falls into a category of statutory subject-matter’, in *re Bergy*, 596 F 2d (CCPA 1979) (emphasis deleted). See also *Nickola v Peterson*, 580 F2d 898 (CA6 1978). The legislative history of the 1952 Patent Act is in accord with this reasoning. The Senate report provided:
Section 101 sets forth the subject-matter that can be patented, ‘subject to the usual conditions and requirements of this title’. The conditions under which a patent may be obtained follow, and s 102 covers the conditions relating to novelty. S Rep No 1979, 82d Cong, 2d Sess, 5 (1952) (emphasis supplied).

It is later stated in the same report:

Section 102, in general, may be said to describe the statutory novelty required for patentability, and includes, in effect, an amplification and definition of ‘new’ in s 101, id, at 6.

Finally, it is stated in the ‘revision notes’:

The corresponding section of [the] existing statute is split into two sections, s 101 relating to the subject-matter for which patents may be obtained, and s 102 defining statutory novelty and stating other conditions for patentability.

See also HR Rep No 1923, 82d Cong, 2d Sess, 6, 7, and 17 (1952).

In this case it may later be determined that the respondents’ process is not deserving of protection because it fails to satisfy the statutory conditions of novelty under § 102 or non-obviousness under § 103. A rejection on either of these grounds does not affect the determination that respondents’ claims recited subject-matter which was eligible under § 101.

We have before us today only the question of whether respondents’ claims fall within the § 101 categories of possibly patentable subject-matter. We view respondents’ claims as nothing more than a process for moulding rubber products and not as an attempt to patent a mathematical formula. We recognise, of course, that when a claim recites a mathematical formula (or scientific principle or phenomenon of nature), an enquiry must be made into whether the claim is seeking patent protection for that formula in the abstract. A mathematical formula as such is not accorded the protection of our patent laws, Gottschalk v Benson, 409 US 63, 34 L Ed 2d 273, 93 S Ct 253 (1972), and this principle cannot be circumvented by attempting to limit the use of the formula to a particular technical environment, Parker v Flook, 437 US 584, 57 L Ed 2d 451, 98 S Ct 2522 (1978). Similarly, insignificant post-solution activity will not transform an unpatentable principle into a patentable process, ibid. To hold otherwise would allow a competent draftsman to evade the recognised limitations on the type of subject-matter eligible for patent protection. On the other hand, when a claim containing a mathematical formula implements or applies that formula in a structure which, when considered as a whole, is performing a function which the patent laws were designed to protect (eg transforming or reducing an article to a different state or thing), then the claim satisfies the requirements of § 101. Because we do not view respondents’ claims as an attempt to patent a mathematical formula, but rather to be drawn to an industrial process for the moulding of rubber products, we affirm the judgment of the Court of Customs and Patent Appeals. It is so ordered.

Justice Stevens, with whom Justice Brennan, Justice Marshall, and Justice Blackmun join, dissenting.
The words ‘as such’ in s 1(2) have given rise to two different approaches, explored in cases concerning the patentability of computer programs and biotechnological inventions. The leading case on biotechnology inventions is *Genentech*, which is dealt with below: it is referred to in the following cases on computer software.

(a) The application can be considered without the excluded matter. If the application is for a computer with a program running on it, the court must consider whether the machine itself adds anything to the state of the art. If the invention’s novelty and inventiveness resides entirely in the program, no patent will be granted. An example of this approach is found in *Re Merrill Lynch’s Application* [1989] RPC 561 (CA) in the Patents Court, which concerned a data processing system for making a trading market in securities. The program used a known computer system programmed in a standard language. Claim 1 read:

In combination in a data processing system for making a trading market in at least one security in which the system proprietor is acting as principal; said system including means for receiving trade orders for at least one said security from system customers, said trade orders including fields identifying the stock to be traded and characterisation of the trade as a customer purchase or sale, and the number of shares for the transaction; means for retrieving and for storing operative bid and asked prices for said at least one security; means for entering and for storing order qualification parameters, said parameters and said stored prices determining which received orders and qualified for execution; means for storing data characterising position, cost and profit for said at least one security; qualifying means responsive to said received trade orders and said stored prices and order qualification parameters for qualifying a trade order for execution when the received trade order fields do not violate the stored prices and qualification parameters; means for executing each trade order qualified by said qualification means; and post-execution updating means for updating said position and at least one of said stored parameters upon execution of a trade order.

At first instance, Falconer J rejected the claim as being for a computer program as such (s 1(2)(c)) and in doing so placed emphasis on the phrase ‘to the extent that’ which introduces the whole of s 1(2).

It seems to me that the words ‘to the extent that’ contemplate that the subsection is also to be applicable to cases where the invention involves one of the excluding matters (specified in paragraphs (a), (b), (c) and (d)), but does not relate to it only. Using the exemplification of an invention involving a computer program, Mr Thorley submitted that the wording ‘only to the extent that’ means that there cannot be a patentable invention in so far as the invention resides in the computer program itself; but if some practical (ie technical) effect is achieved by the computer or machine operating according to the instructions contained in the program and such effect is novel and inventive (ie not obvious), a claim directed to that practical effect will be patentable, notwithstanding it is defined by that
computer program. In my judgment, Mr Thorley was right in that submission.

(b) Where the subject-matter of the invention is the technical effect of the computer program, that technical effect should be patentable. The patent is granted for the technical effect (which must therefore be novel and non-obvious) and it is of no significance that the effect is found in the program. In this approach the method by which the invention is implemented is immaterial. This is the approach taken by the Technical Board of Appeal of the European Patent Office in *Vicom Systems Inc’s Application* [1987] OJ EPO 14:

5. There can be little doubt that any processing operation on an electric signal can be described in mathematical terms. The characteristic of a filter, for example, can be expressed in terms of a mathematical formula. A basic difference between a mathematical method and a technical process can be seen, however, in the fact that a mathematical method or a mathematical algorithm is carried out on numbers (whatever these numbers may represent) and provides a result also in numerical form, the mathematical method or algorithm being only an abstract concept prescribing how to operate on the numbers. No direct technical result is produced by the method as such. In contrast thereto, if a mathematical method is used in a technical process, that process is carried out on a physical entity (which may be a material object but equally an image stored as an electric signal) by some technical means implementing the method and provides as its result a certain change in that entity. The technical means might include a computer comprising suitable hardware or an appropriately programmed general purpose computer.

6. The Board, therefore, is of the opinion that even if the idea underlying an invention may be considered to reside in a mathematical method a claim directed to a technical process in which the method is used does not seek protection for the mathematical method as such.

7. In contrast, a ‘method for digitally filtering data’ remains an abstract notion not distinguished from a mathematical method so long as it is not specified what physical entity is represented by the data and forms the subject of a technical process, ie a process which is susceptible of industrial application ...

11. The appellants have stressed that the application discloses new hardware for carrying out the claimed methods but admit on the other hand that at least in principle it is possible to implement the method and apparatus according to the application by a suitably programmed conventional computer although such a computer may not be optimised for carrying out digital image processing (cf p A-2 of the Statement of Grounds).

12. The Board is of the opinion that a claim directed to a technical process which process is carried out under the control of a program, be this implemented in hardware or in software, cannot be regarded as relating to a computer program as such within the meaning of Article 52(3) EPC, as it is the application of the program for determining the sequence of steps in
the process for which in effect protection is sought. Consequently, such a claim is allowable under Article 52(2)(c) and (3) EPC.

13. Concerning the apparatus claim 8, the Examining Division has held that it is not acceptable because a new apparatus is not clearly disclosed. According to the decision under appeal, the claim when interpreted in the light of the description and the drawings seems to imply only the use of a conventional computer which could not provide the basis of an acceptable product claim in view of Articles 52(1) and 54 EPC. The Board understands this as meaning that the Examining Division was of the opinion that a conventional computer programmed so as to carry out a method according to one or more of the method claims is not novel.

14. In the view of the Board, however, Article 54 EPC leaves no room for such an interpretation. A computer of known type set up to operate according to a new program cannot be considered as forming part of the state of the art as defined by Article 54(2) EPC. This is particularly apparent in the present case as claims 8-11 clearly embrace also the use of special hardware, for which some indications are given in the description and also mixed solutions combining some special hardware with an appropriate program.

15. In view of certain considerations by the Examining Division which appear to apply to the apparatus claims as well (cf paragraph 10 above) it remains to be examined if the present apparatus claim 8 would be objectionable under Article 52(2)(c) as qualified by (3) EPC. For reasons analogous to these given in paragraph 12 above, the Board holds that this is not the case and the same applies to the other apparatus claims 9-11. Generally claims which can be considered as being directed to a computer set up to operate in accordance with a specified program (whether by means of hardware or software) for controlling or carrying out a technical process cannot be regarded as relating to a computer program as such and thus are not objectionable under Article 52(2)(c) and (3) EPC.

16. In arriving at this conclusion the Board has additionally considered that making a distinction between embodiments of the same invention carried out in hardware or in software is inappropriate as it can fairly be said that the choice between these two possibilities is not of an essential nature but is based on technical and economical considerations which bear no relationship to the inventive concept as such. Generally speaking, an invention which would be patentable in accordance with conventional patentability criteria should not be excluded from protection by the mere fact that for its implementation modern technical means in the form of a computer program are used. Decisive is what technical contribution the invention is defined in the claim when considered as a whole makes to the known art. Finally, it would seem illogical to grant protection for a technical process controlled by a suitably programmed computer but not for the computer itself when set up to execute the control.
The Court of Appeal went on to apply the *Genentech* ruling to computer programs in two cases: first, *Re Merrill Lynch’s Application* [1989] RPC 561 and then in *Re Gale’s Application* [1991] RPC 305, CA. Merrill Lynch was initially decided at about the same time as *Genentech*. Whitford J’s first instance judgment in that case was not followed by Falconer J in *Merrill Lynch*, but when *Genentech* went to the Court of Appeal Whitford J’s judgment was upheld, rather than the court following the reasoning of the lower court in *Merrill Lynch*, which had been decided in between. However, the Court of Appeal managed to achieve this without casting doubt on Falconer J’s actual decision, since an appeal from it was then pending. When that appeal came up, the Court of Appeal endorsed the approach already taken in *Genentech*, namely that the s 1(2) prohibition was limited to inventions related to the matters specified in the subsection, and modes of using them in a process or in relation to an artefact were patentable. Fox LJ (for the court) also derived support from the *Vicom* decision in the European Patent Office (below), but still managing to uphold Falconer J’s decision (though not his reasoning).

The position seems to me to be this, *Genentech* decides that the reasoning of Falconer J is wrong. On the other hand, it seems to me to be clear, for the reasons indicated by Dillon LJ, that it cannot be permissible to patent an item excluded by s 1(2) under the guise of an article which contains that item – that is to say, in the case of a computer program, the patenting of a conventional computer containing that program. Something further is necessary. The nature of that addition is, I think, to be found in the *Vicom* case where it is stated: ‘Decisive is what technical contribution the invention makes to the known art’. There must, I think, be some technical advance on the prior art in the form of a new result (eg a substantial increase in processing speed as in *Vicom*).

Now let it be supposed that claim 1 can be regarded as producing a new result in the form of a technical contribution to the prior art. That result, whatever the technical advance may be, is simply the production of a trading system. It is a data processing system for doing a specific business, that is to say, making a trading market in securities. The end result, therefore, is simply ‘a method ... of doing business’, and is excluded by s 1(2)(c). The fact that the method of doing business may be an improvement on previous methods of doing business does not seem to me to be material. The prohibition in s 1(2)(c) is generic; qualitative considerations do not enter into the matter. The section draws no distinction between the method by which the mode of doing business is achieved. If what is produced in the end is itself an item excluded from patentability by s 1(2), the matter can go no further. Claim 1, after all, is directed to ‘a data processing system for making a trading market’. That is simply a method of doing business. A data processing system operating to produce a novel technical result would normally be patentable. But it cannot, it seems to me, be patentable if the result itself is a prohibited item under s 1(2). In the present case it is such a prohibited item.

We were referred to *International Business Machines Corp’s Application* [1980] FSR 564, as being on all fours with the present case, but it was decided under the 1949 Act, which is not in the same form as the 1977 Act.
In the end, therefore, for the reasons which I have indicated, I reach the same result as Falconer J, namely that there is not a patentable invention here. I would dismiss the appeal.

In *Re Gale’s Application* the court refused to allow a patent for a program for calculating square roots:

**Nicholls LJ:** Mr Norman Gale claims to have discovered an improved method of calculating the square root of a number with the aid of a computer. His method eliminates one of the stages, the division stage, required by most types of computer equipment. Mr Gale has put the necessary instructions for the computer into the electronic circuitry of a read-only memory (ROM) unit. He applied for a patent, but he suffered a set-back in the Patent Office at an early stage.

Before the application was examined for novelty and obviousness and so forth, it was rejected by the principal examiner, acting on behalf of the Comptroller General of Patents, Designs and Trademarks, on the ground that the invention was excluded from patent protection by s 1(2)(c) of the Patents Act 1977. Mr Gale appealed. On 22 January 1990 Aldous J, sitting in the Patents Court, allowed the appeal, set aside the Comptroller’s decision of 17 July 1989 and remitted the application to the Comptroller for the application to proceed in the office in the ordinary way. With the leave of the judge, the Comptroller has appealed to this court.

**The patent application**

In the specification of his patent application Mr Gale describes his invention as ‘improvements in means whereby a binary manipulative system may derive a square root’. The specification provides:

The invention relates to indicative devices which operate by manipulating two-state units, hereinafter referred to as binary arithmetic. It is a means whereby such binary arithmetical processes may derive the square root of a particular number.

Contemporary examples of such devices are ‘pocket calculators’ and related equipment, metering or control equipment for fluid flows, and within co-ordinate controlled machine tools, or they may be part of more complex calculating or recording devices or of micro-processors.

The specification continues with a description of a typical method used for determining a square root by the use of such binary devices. For present purposes the detail does not matter. Suffice it to say that one of the steps this method involves is a division calculation, and that this step may need repeating several times until an answer is produced which represents the desired square root to a sufficient degree of accuracy. The specification notes that a dividing process is seldom provided within binary systems directly, and usually has to be compounded by combining the various ‘subtract’, ‘test’ and ‘shift’ operations which are usually provided. This stage must be worked to a high degree of accuracy for each cycle of operations. Such an ‘interactive’ method is essentially a process of working to a complete solution many times over, and is relatively slow in achieving a result.
The specification then sets out details of Mr Gale’s improved means of obtaining the square root of a number using a binary manipulative system. Here also, the mathematics are not material for present purposes. The principle of operation is thus expressed:

The principle of operation of the invention is arranged so that an accumulative root is built up by trying successive increments which may be added onto this accumulative root in order to produce a more accurate root. It arranges that each of the prospective increments is selected so as to provide that a multiplication process, which the method incorporates, is in the form of a simple shift of binary places, i.e., it is the process of moving the ‘binary point’ in the same manner as multiplying by a power of 10 is of moving the ‘decimal point’.

Although binary mechanisms are usually much faster in operation than analogue or digital decimal means, economy of operations or simplicity of operations are yet a further means of providing that a binary system shall operate more efficiently.

The application contains only one claim:

1. Electronic circuitry, in the form known as ‘ROM’, to provide controlling means whereby four binary manipulative entities, of the type known as ‘registers’, shall derive the square root of an arbitrary number, and whereby such controlling shall so function that only such numbers shall be selected by the said controlling means, for use in deriving the square root, as shall eliminate recourse to the process of division, and shall further only perform the process of multiplication in so far as is accomplished by the use of the binary operations of ‘shift’ and ‘test’, without the binary function of ‘add’, such as is usually required within the general form of multiplication of arbitrary numbers.

The statutory provisions

[The judge recited s 1(2) and (3) of the Patents Act 1977]

Mr BJ Phillips, principal examiner, rejected Mr Gale’s application on the ground that it constituted a program for a computer and therefore, in accordance with s 1(2)(c), was not an invention for the purposes of the Act. He summarised his conclusion with clarity in these words:

Although a ROM is claimed, no description of a ROM is given, and indeed the term ‘ROM’ occurs only once in the specification and that is in the claim. It therefore follows that the ROM per se, and the method of storing the necessary control instructions in it, must be taken to be conventional. Any novelty in the claim must therefore lie in the particular sequence of operations that the instructions stored in the ROM cause to take place. Furthermore, since these instructions are intended to control the operation of apparatus effecting mathematical calculations, in my opinion they constitute a computer program.

Thus, I support the examiner’s assertion that the invention claimed in Mr Gale’s specification is a ROM characterised by the computer program stored in it...
Aldous J reached a different conclusion:

I have come to the conclusion that the ROM claimed cannot be considered as a claim to an invention which is no more than an invention relating to disqualified matter defined in s 1(2) of the Act. The ROM is an article which can be manufactured. It has one dedicated function. It is an article whose structure has been altered during manufacture so as to perform the function of this method or program defined by the claim. A claim in a patent to such an article cannot to my mind be called a claim relating to a mathematical method or a method for performing a mental act, nor a program for computer. There is a difference between a claim which relates to a disk containing a program and a ROM with particular circuitry. In the former the disk carries the program and therefore can be considered as in effect a claim relating to the program; whereas in the latter the program or method is used as the basis for altering the structure of the ROM which then becomes a dedicated piece of apparatus, which can be used to carry out the program or method.

The point at issue is one of general importance. In these proceedings Mr Gale has appeared in person, but on this appeal we have had the advantage of being assisted by counsel instructed as amicus curiae by the Attorney General.

Outline of a digital computer

Before considering the statutory provisions I should first set out the relevant factual framework within which the provisions fall to be applied in this case. At the risk of oversimplification, I must attempt to outline the basic equipment and manner of working of a digital computer. In doing so I follow closely an invaluable summary prepared by Mr Pumfrey, the substance of which was agreed by Mr Baldwin and Mr Gale.

A digital computer consists, in essence, of a memory and a central processing unit (‘cpu’). The memory consists of storage elements each capable of holding a number of some prescribed length. This number is represented in a binary form, that is, consisting of a string of 0s and 1s. Each storage element of the memory has a unique address, and may be selected by the cpu for the purpose either of copying the number stored at a particular address into the cpu, or for transferring a number in the cpu to the storage element. If the cpu may both transfer data to a memory storage element or transfer data from it, the memory storage element is conventionally called RAM, for random-access memory. If a memory element is capable only of being read by the cpu, it is conventionally called ROM, for read-only memory. ROM differs from RAM in that it is not volatile: its contents are permanently present, and may not be altered.

The numbers stored in the memory of a computer may either be codes for operations to be carried out by the cpu (instructions) or may be operations which the cpu is to manipulate (data). In operation, the cpu of any computer reads numbers from a part of memory, either ROM or RAM, reserved for instructions.

Instructions are merely numbers, having a particular significance for the cpu. These are transferred to the ‘instruction register’ of the cpu, where they control the operation of the cpu for one instruction cycle. The transfer of instructions
from memory to the cpu is carried out under the control of a counter (the program counter, or PC) which is increased by one unit every time an instruction is transferred to the cpu. The sequence of operations is thus: transfer an instruction from memory, carry out that instruction, increment the PC, fetch the next instruction, and so on until the process is halted.

The data manipulated by the cpu is contained in a part of the memory which is reserved for data. This is invariably in RAM, since it needs to be both read and written. The cpu accesses the individual storage elements containing data by reference to their addresses.

A sequence of instructions is called a program. ‘Program’ is a flexible term, covering anything from a sequence of binary numbers intended to be stored in the memory of a computer and to be acted on directly, to a representation of such instructions in languages which bear some resemblance to natural languages. What distinguishes a computer program is that it either is, or can be translated unambiguously into, a sequence of instructions capable of being followed by a cpu to produce desired manipulations of data in a predictable manner.

A ROM consists of memory, the memory elements of which are permanently filled with numbers corresponding to instructions for the cpu. A ROM is inserted in the computer so that its contents occupy part of the memory space of the computer used for instructions. Sequences of instructions which are frequently required are placed in ROM. Thus, when a computer is switched on, it must be placed in a particular state before it begins to run applications programs. In order to ‘initialise’ itself, it automatically runs an initialisation program which is invariably contained in ROM. Likewise with other so-called ‘utility’ routines which simplify various tasks, such as reading a keyboard, writing to a screen, reading a disk, and performing mathematical operations.

The European Patent Convention

Although the issue on this appeal concerns the proper interpretation and application of the 1977 Act, I should here make reference to the European Patent Convention. This convention established a system of law, common to the Contracting States, for the grant of patents for invention (Article 1). In general, a patent, known as a European patent, granted by virtue of the convention, confers on its proprietor in each Contracting State in respect of which it is granted, the same rights as would be conferred by a national patent granted in that State (Articles 2 and 64). In all respects material to the present case, the test for patentability under the convention is the same as the test for patentability under the 1977 Act. The relevant parts of Article 52 provide:

(1) European patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step.

(2) The following in particular shall not be regarded as inventions within the meaning of paragraph 1:

(a) discoveries, scientific theories and mathematical methods;

(b) aesthetic creations;
(c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;

(d) presentations of information.

(3) The provisions of paragraph 2 shall exclude patentability of the subject-matter or activities referred to in that provision only to the extent to which a European patent application or European patent relates to such subject-matter or activities as such.

One of the functions of the European Patent Office, established by the convention, is to examine whether a European patent application and the invention to which it relates meet the requirements of the convention, including the test as to patentability. The Examining Division refuses an application if it is of the opinion that the application or the invention do not meet those requirements (Articles 94 and 97). Within a prescribed period of nine months, any person may give notice of opposition to a grant of a European patent. One of the grounds on which an opposition may be filed is that the subject-matter of the patent is not patentable under the convention (Articles 99 and 100). The Opposition Division of the office revokes a patent if it is of the opinion that the grounds of opposition ‘prejudice the maintenance’ of the patent (Article 102). Appeals lie from decisions of the Examining Division and the Opposition Division to the Board of Appeal (Articles 106 and 107). If the Board of Appeal considers either that this is required in order to ensure uniform application of the law or that an important point of law has arisen, the Board is to refer the question to the enlarged Board of Appeal (Article 112).

One of the purposes of the 1977 Act was to give effect to the European Patent Convention. Thus, s 77(1) provides that a European patent (UK), by which is meant a European patent designating the UK, shall as from a prescribed date be treated for the purposes of Parts 1 and 3 of the Act as if it were a patent under the Act granted in pursuance of an application made under the Act. Section 77(4) provides that where a European patent (UK) is revoked in accordance with the European Patent Convention, the patent shall be treated for the purposes of Parts 1 and 3 of the Act as having been revoked under the Act. The Act had a further purpose. The Act did not merely enact the statutory provisions necessary for the provisions of the convention regarding European patents to take effect in this country. The Act also had a harmonisation objective. On the signature of the convention for the European Patent for the Common Market, referred to in the Act as the Community Patent Convention, and not to be confused with the European Patent Convention, the governments of the Member States of the European Community resolved to adjust their laws relating to patents so as to bring those laws into conformity with the corresponding provisions in the European Patent Convention and other conventions. Accordingly, when construing and applying s 1(1) and (2) of the Act, the court must have regard to the legislative intention with which those subsections were framed, namely that they were framed so as to have, as nearly as practicable, the same effect in the UK as the corresponding provisions in Article 52(1), (2) and (3) of the European Patent Convention have in the territories in which that convention applies. That is the effect of s 130(7) in the present case.
From this brief reference to the European Patent Convention one point which emerges is that it is of the utmost importance that the interpretation given to s 1 of the Act by the courts in the UK, and the interpretation given to Article 52 of the European Patent Convention by the European Patent Office, should be the same. The intention of Parliament was that there should be uniformity in this regard. What is more, any substantial divergence would be disastrous. It would be absurd if, on an issue of patentability, a patent application should suffer a different fate according to whether it was made in the UK under the Act or was made in Munich for a European patent (UK) under the convention. Likewise in respect of opposition proceedings.

It is for these reasons that I shall refer below to certain decisions of the Board of Appeal of the European Patent Office. When interpreting the Act an English court should have due regard to decisions of the Board of Appeal and take them into account, although the English court is not bound by them. Indeed, this must be one of the matters Parliament had in mind when providing, in s 91(1)(c), that judicial notice shall be taken of decisions or expressions of opinion by the relevant convention court on questions arising under the relevant convention. ‘Relevant convention court’ is defined, in s 130, in terms which include the Board of Appeal of the European Patent Office. Of course, this should be a two-way flow. No doubt, in appropriate cases, the European Patent Office has regard to, and takes into account, decisions of the courts of this country as well as decisions of the courts of other Contracting States, and will continue to do so.

Section 1(2)

I turn now to s 1(2) of the Act. When considering these provisions, it is helpful to have in mind the principle of patent law, well established before the Act, that an idea or discovery as such is not patentable. It is the practical application of an idea or discovery which leads to patentability. It leads to patentability even if, as frequently happens, the practical application of the discovery is inherent in the discovery itself or is obvious once the discovery has been made and stated. On this I need refer only to three authorities. First, and of particular relevance having regard to the nature of Mr Gale’s discovery, are some observations by Grove J in Young v Rosenthal & Co (1884) RPC 29, 31:

An invention of an idea or mathematical principle alone, mathematical formulae or anything of that sort, could not be the subject of a patent. For instance, supposing a person discovered that three angles of a triangle are equal to two right angles, that is an abstract discovery, and would not be the subject of a patent.

Second, in Hickton’s Patent Syndicate v Patents & Machine Improvements Co Ltd (1909) 26 RPC 339, 348, Fletcher Moulton LJ said:

Take the case of the safety valve for boilers. The man who first discovered the idea of a properly weighted valve in the boiler solely for the purpose of relief, if the pressure rose too high, would have been making a most valuable and meritorious invention. So soon as he conceived that idea of guarding against the danger of explosion the carrying out of the idea required no invention at all. In my opinion, invention may lie in the idea, and it may lie in the way in which it is carried out, and it may lie in the
combination of the two; but if there is invention in the idea plus the way of carrying it out, then it is good subject-matter for letters patent.

Buckley LJ said:

Every invention to support a patent must no doubt be a new manufacture – that is to say, it must either suggest a new way of making something – a means of constructing an old thing in a new manner – or it may mean the way of producing a new article altogether; but I think you are losing grasp of the substance and seizing the shadow when you say that the invention is the manufacture as distinguished from the idea. It is much more true to say that the patent is for the idea as distinguished from the thing manufactured. No doubt you cannot patent an idea, which you have simply conceived, and have suggested no way of carrying out, but the invention consists in thinking of or conceiving something and suggesting a way of doing it.

Finally, in *Genentech Inc’s Patent* [1987] RPC 553, 566, Whitford J regarded this as trite law:

It is trite law that you cannot patent a discovery, but if on the basis of that discovery you can tell people how it can be usefully employed, then a patentable invention may result. This in my view would be the case, even though once you have made the discovery, the way in which it can be usefully employed is obvious enough.

The language of s 1(2), and of the corresponding article, Article 52(2) and (3), of the European Patent Convention, is apt as an embodiment of this principle of UK patent law. Section 1(2) comprises a non-exhaustive catalogue of matters or things, starting with ‘a discovery’, which as such are declared not to be inventions. Thus a discovery as such is not patentable as an invention under the Act. But when applied to a product or process which, in the language of the 1977 Act, is capable of industrial application, the matter stands differently. This was so held in *Genentech Inc’s Patent* [1989] RPC 147. There, this court by a majority decision held that s 1(2) did not depart from the established principle mentioned above. Purchas LJ, p 208, and also Dillon LJ, p 240, decided that the quotation from Whitford J set out above still represented the law. Dillon LJ said:

In so far as a patent claims as an invention the practical application of a discovery, the patent does not, in my judgment, relate only to the discovery as such, even if the practical application may be obvious once the discovery has been made, even though unachievable in the absence of the discovery.

**A program for a computer**

Against that background I turn to the item in the s 1(2) catalogue, a program for a computer, which is of primary importance in this case. The Act contains no definition or description of what is meant by the expression ‘program for a computer’. For present purposes it is sufficient to note that a computer program is essentially a series of instructions capable of being followed by a cpu to produce a desired result. The instructions, as such, are not patentable. This is not surprising. A computer is an apparatus which operates, within its
capacity, in response to instructions. That is how it is intended to operate. In principle, the instructions in a computer program do no more than prescribe a particular manner of operation of a computer within the range of operations for which it was constructed. Thus writing a fresh set of instructions for use in a computer in particular circumstances or for particular purposes cannot in itself be regarded as an ‘invention’. As at present advised, I think this would have been so even if the Act had not contained s 1(2), which is expressed in declaratory terms, and even if s 1(2) had not expressly included computer programs in the catalogue of disqualified items. However, it is not necessary to pursue this point on this appeal.

A further point is to be noted here. To be used in a computer, a series of instructions has to be recorded in a physical form which a computer can understand. Typically, but by no means always, the instructions will be recorded either on a disk inserted in the computer when required or, in the case of sequences of instructions routinely or frequently required, in a ROM which normally is inserted in a computer and not removed. Plainly, however, if the instructions qua instructions are not patentable, a claimant’s position is not improved by claiming a disk on which those instructions have been recorded or a ROM in which they have been embodied. The disk or ROM is no more than an established type of artefact in which the instructions are physically embedded. It is merely the vehicle used for carrying them. If the disk or ROM, considered as a disk or ROM, is in all respects conventional, a claim can no more be made for the disk or ROM incorporating those instructions than a claim for a patent could be made for a conventional compact disc on which a particular new piece of music has been recorded. Every compact disc on which a piece of music is recorded differs physically from every other compact disc on which different pieces of music are recorded. But these physical differences are not material for patent purposes, because they constitute no more than the use of a compact disc for its intended purpose. Likewise with a disk or ROM which records or reproduces a new set of instructions, if those instructions are recorded on a conventional disk, or are stored in a ROM using conventional methods. To decide otherwise would be to exalt form over substance.

The judge drew a distinction between a claim relating to a disk containing a program and a ROM with particular circuitry. I feel compelled to part company with him. The ROM becomes a dedicated piece of apparatus, but the position remains that the only respects in which the structure of the ROM has been altered are those necessary to embody, in conventional form, a particular set of instructions. Of itself, and without more, that alteration cannot support a claim to the ROM as a ROM.

This point is not free from authority. In the Genentech case, p 240, Dillon LJ said:

It would be nonsense for the Act to forbid the patenting of a computer program, and yet permit the patenting of a floppy disk containing a computer program, or an ordinary computer when programmed with the program; it can well be said, as it seems to me, that a patent for a computer when programmed or for the disk containing the program is no more than a patent for the program as such.
It would equally be nonsense, if a floppy disk containing a computer program is not patentable, that a ROM characterised only by the instructions in that program should be patentable. Or, as Fox LJ said in *Merrill Lynch’s Application* [1989] RPC 561, 569:

> ... it cannot be permissible to patent an item excluded by s 1(2) under the guise of an article which contains that item – that is to say, in the case of a computer program, the patenting of a conventional computer containing that program. Something further is necessary.

This accords with the approach adopted by the European Patent Office. In *IBM Corp/Document abstracting and retrieving* (Decision T22/85), [1990] EPOR 98, the Technical Board of Appeal rejected an application for a patent related to a method for automatically abstracting and storing documents in an information storage and retrieval system and to a corresponding method for retrieving a document from the system. The Board held that any new concept in the application could lie only in the prescribed procedures, and those procedures or rules had no technical character but were of a purely intellectual nature. In paragraph 14, the Board added:

> The foregoing considerations have been made mainly on the basis that the claimed systems and methods would involve a conventional computer controlled by a software program ... Analogous considerations, however, apply in the case where the control of the computer would be effected by hardware (specifically designed logical means), an option also falling within the scope of the claims, as the choice between the two possibilities is not of an essential nature but is based on technical and economical considerations which bear no relationship to the inventive concept as such.

Likewise, and even more recently, in *IBM Corp/Text processing* (Decision T65/86), [1990] EPOR 181, 188, the Technical Board of Appeal said:

> Since the only conceivable use for a computer program is the running of it on a computer, the exclusion from patentability of programs for computers would be effectively undermined if it could be circumvented by including in the claim a reference to conventional hardware features, such as a processor, memory, keyboard and display, which, in practice, are indispensable if the program is to be used at all.

Although a computer program as such is not patentable, this is not to say that the instructions comprised in such a program, when recorded in a suitable medium, attract no protection. In this country the writer of the instructions, considered simply as a sequence of instructions, has a measure of protection for the product of his skill and effort, but it lies elsewhere, namely in the law of copyright. Section 1 of the Copyright (Computer Software) Amendment Act 1985, enacted that the Copyright Act 1956 should apply in relation to a computer program, including one made before the commencement of the Act, as it applied in relation to a literary work, and should so apply whether or not copyright would subsist in that program apart from the Act. This treatment of a computer program has been continued in the Copyright, Designs and Patents Act 1988 (ss 1 and 3).
Mr Gale’s claim

I approach the substantial issue in this case, therefore, on the footing that it is convenient and right to strip away, as a confusing irrelevance, the fact that the claim is for ‘hardware’. The claim in the specification is, in substance, a claim to a series of instructions which incorporate Mr Gale’s improved method of calculating square roots. It is a claim to electronic circuitry in the form of a ROM which is only distinguishable from other electronic circuitry in the form of a ROM by the sequence of instructions it contains. As such those instructions are not patentable, because they constitute a computer program.

Although those instructions are not patentable as such, that is not the end of the matter. Computer instructions may represent, for instance, a technical process. What is recorded in the instructions may be the means for carrying out a technical process with the aid of a computer. In such a case the process is not barred from patentability by reason of the use of a computer as the medium by which it is carried out. In Vicom/Computer-related inventions (Decision T 208/84), [1987] 2 EPOR 74, the Technical Board of Appeal of the European Patent Office was concerned with an application relating, in claim 1, to a method of digitally processing images. The board rejected the argument that the implementation of the claimed methods for image processing by a program run on a computer could not, by reason of Article 52(2)(c) and (3), be regarded as an invention. The Board said, in paragraph 12 of its reasons:

The Board is of the opinion that a claim directed to a technical process which process is carried out under the control of a program (be this implemented in hardware or in software), cannot be regarded as relating to a computer program as such within the meaning of Article 52(3) EPC, as it is the application of the program for determining the sequence of steps in the process for which in effect protection is sought. Consequently, such a claim is allowable under Article 52(2)(c) and (3) EPC.

In paragraph 16 the Board added:

Generally speaking, an invention which would be patentable in accordance with conventional patentability criteria should not be excluded from protection by the mere fact that for its implementation modern technical means in the form of a computer program are used. Decisive is what technical contribution the invention as defined in the claim when considered as a whole makes the known art.

In the present case Mr Gale claims to have discovered an algorithm. Clearly that, as such, is not patentable. It is an intellectual discovery which, for good measure, falls squarely within one of the items, mathematical method, listed in s 1(2). But the nature of this discovery is such that it has a practical application, in that it enables instructions to be written for conventional computers in a way which will, so it is claimed, expedite one of the calculations frequently made with the aid of a computer. In my view the application of Mr Gale’s mathematical formulae for the purpose of writing computer instructions is sufficient to dispose of the contention that he is claiming a mathematical method as such.

That still leaves the difficulty that those instructions when written, and without more, are not patentable, because they constitute a computer program. Is there
The attraction of Mr Gale’s case lies in the simple approach that, as claimed, he has found an improved means of carrying out an everyday function of computers. To that extent, and in that respect, his program makes a more efficient use of a computer’s resources. A computer, including a pocket calculator with a square root function, will be a better computer when programmed with Mr Gale’s instructions. So it may. But the instructions do not embody a technical process which exists outside the computer. Nor, as I understand the case as presented to us, do the instructions solve a ‘technical’ problem lying within the computer, as happened with patent applications such as *IBM Corp/Computer-related invention* (Decision T115/85), [1990] EPOR 107 and *IBM Corp/Data processor network* (Decision T06/83), [1990] EPOR 91. I confess to having difficulty in identifying clearly the boundary line between what is and what is not a technical problem for this purpose. That, at least to some extent, may well be no more than a reflection of my lack of expertise in this technical field. But, as I understand it, in the present case Mr Gale has devised an improvement in programming. What his instructions do, but it is all they do, is to prescribe for the cpu in a conventional computer a different set of calculations from those normally prescribed when the user wants a square root. I do not think that makes a claim to those instructions other than a claim to the instructions as such. The instructions do not define a new way of operating the computer in a technical sense, to adopt the expression used in *IBM Corp/Document abstracting and receiving* (Decision T22/85), [1990] EPOR 98, 105.

In short, therefore, the claim is in substance a claim to a computer program, being the particular instructions embodied in a conventional type of ROM circuitry, and those instructions do not represent a technical process outside the computer or a solution to a technical problem within the computer. I would allow this appeal.

**Parker LJ:** I agree with the judgment of Nicholls LJ which I have had the opportunity to read in draft. I add a judgment of my own for three reasons: first because we are differing from the learned judge, who is very experienced in patent matters; second out of deference to the forceful arguments advanced in favour of the patentability of Mr Gale’s invention; third because I have found the question at issue of considerable difficulty.

For present purposes it is to be assumed that Mr Gale’s invention satisfied the conditions set out in s 1(1)(a), (b) and (c) of the Patents Act 1977. The sole question is whether the grant of a patent for it is excluded by s 1(2) of that Act...

It is to be noted that what is excluded by the opening words of the subsection is ‘anything which consists of’ any of the matters listed in paragraphs (a)–(d) of the subsection. If therefore Mr Gale’s invention does not consist of any one of those matters the subsection does not bite at all. If, however, the section does bite it only does so to the extent that a patent or patent application relates to the listed matters ‘as such’.

The questions to be answered in this case are therefore (a) whether Mr Gale’s invention ‘consists of’ any of the listed matters and (b) if so, does his patent application relate to that matter ‘as such’.
Mr Gale’s application entitles his invention in these words: ‘Improvements in the means whereby a binary manipulative system may derive a square root’. It is then described as follows:

Means for the control of a binary operating system, to derive the square root of an arbitrary number, whereby such control eliminates the process of division by using the formula wherein the square of the sum of two numbers is equal to the sum of the squares of each of the two numbers plus twice the product of the two numbers, and which selects such numbers, for the working of the derivation, as to allow the process of multiplication to be simplified so that it is accomplished by the ‘shift’ and ‘test’ commands without recourse to intermediate ‘add’ commands.

Essentially what is involved in this description is the improvement in the means for the control of a conventional computer whereby in deriving the square root of any given number the process of division is eliminated and the process of multiplication is simplified by eliminating intermediate ‘add’ commands.

It is thus reasonably clear from the outset that what is contemplated is a new and simpler set of commands to the central processing unit of a conventional computer when it is required to ascertain the square root of any given number. That this is so is confirmed by the specification. When one reads the claim, of which there is only one, it is however to be found that it begins ‘Electronic circuitry in the form known as ‘ROM’, to provide controlling means whereby …’ and it then continues with a slightly amplified version of what has appeared in the description which I have already quoted.

It is said that the means of control which Mr Gale claims as his invention is therefore electronic circuitry in the form of a ROM which circuitry in such form will have certain effects, and that his invention does not therefore ‘consist of’ any of the listed matters. It is therefore not caught at all by s 1(2) or, if it is, his application does not to any extent relate to any of the listed matters as such. It relates solely to unique circuitry in the form of a ROM. It is said further, and Mr Gale stresses this, that there is an essential difference between a disk embodying his set of instructions and his uniquely programmed ROM. The difference is stated to be this, that such a disk does not make his discovery or method immediately available to the cpu of a conventional computer; the cpu must first be instructed to insert the instructions into the appropriate RAM before they are of any use. By contrast the instructions in his ROM are immediately available to the cpu when the ROM is inserted into and becomes part of the conventional computer. Furthermore, a computer with his ROM is different from any conventional computer. It can ascertain the square root of any given number faster and with a greater degree of accuracy or efficiency than any conventional computer.

These arguments appear to me to have very considerable force. Their force is increased when one considers in a little more detail what is the nature of a ROM. It is in essence a silicon chip the structure of which has been altered so as to provide electronic circuitry which when ‘read’ by the cpu will cause it to carry out certain functions. Until the structure is so altered, however, the ‘chip’ is of no use. When so altered it can receive no further instructions from the cpu
and the instructions which it contains cannot, as can the instructions in a RAM, be expunged. It is contended therefore that what Mr Gale has done is to invent a new ROM containing unique circuitry with a valuable technical use. It does not ‘consist of’ a listed matter nor does his application relate to a listed matter ‘as such’.

There can of course be no doubt that Mr Gale has made a ‘discovery’ and that that discovery is a new ‘mathematical method of ascertaining the square root of a number’. He is not, however, claiming protection for this. He has also written a program which will enable a conventional computer to ascertain square roots by his new method rather than by conventional methods currently in use and to do so with greater speed and accuracy than is possible by conventional methods. He does not, however, claim patent protection for this either. He claims, in form, simply a chip containing unique circuitry which has one purpose only, namely, to enable a conventional computer to ascertain the square roots faster and more accurately than hitherto possible.

In the course of argument it appeared to me from time to time that the contentions in favour of patentability should be accepted in preference to those against. They derive support from dicta or decisions both of courts in this country and of boards of appeal established under the European Patent Convention.

I refer by way of example only to certain of them. I start, as does Nicholls LJ, with the pre-1977 law. In *International Business Machines Corp’s Application* [1980] FSR 564, the Patents Appeal Tribunal reviewed the earlier authorities. Whitford J, delivering the judgments of the tribunal, concluded his judgment with the following paragraph:

> We agree with the superintending examiner that under the Act of 1949 and the decided cases, the law is that an inventive concept, if novel, can be patented to the extent that claims can be framed directed to an embodiment of the concept in some apparatus or process of manufacture.

There were, of course, prior to 1977, no exclusions such as are found in s 1(2) of the 1977 Act, but it appears to me that that section was to a large extent aimed at embodying in statutory form the results of previous decisions. Indeed the same approach appears to have been adopted under the 1977 Act in *Genentech Inc’s Patent* [1989] RPC 203, 147. At p 208 Purchas LJ said:

> Applying this approach to the facts of the present case, a claim for the figure 5 data would be a claim to a discovery as such and only to that extent would be disqualified by s 1(2). If, on the other hand, the discovery is one that was not known in the state of the art at the material date and was not obvious to a person skilled in the art, then it is capable of forming the substratum of invention so that if it is applied in a technique or process or incorporated in a product then it would be patentable. This is in line with the judgments in *Hickton’s* case and the opinions expressed by the Technical Board of Appeal in *Vicom’s* case. It is also what I believe to have been the view of Whitford J, see p 566, line 12:

> It is trite law that you cannot patent a discovery, but if on the basis of that discovery you can tell people how it can be usefully employed then a patent or invention may result. This in my view would be the
case even though once you have made the discovery the way in which it can be usefully employed is obvious enough.

and at p 239 per Dillon LJ:

*Merrill Lynch* was concerned with a computer program, and Falconer J’s conclusion is summed up by his acceptance, at the top of p 12, of a submission that the wording ‘only to the extent that’ means that there cannot be a patentable invention in so far as the invention resides in the computer program itself, but if some practical (ie technical) effect is achieved by the computer or machine operating according to the instructions contained in the program and such effect is novel and inventive (ie not obvious) a claim directed to that practical end will be patentable notwithstanding it is defined by that computer program.

Such a conclusion, when applied to a discovery, would seem to mean that the application of the discovery is only patentable if the application is itself novel and not obvious, altogether apart from the novelty of the discovery. That would have a very drastic effect on the patenting of new drugs and medicinal or microbiological processes. It would also represent a drastic change from English law as previously understood. Thus in *Hickton’s Patent Syndicate v Patents & Machine Improvements Co Ltd* [1909] 26 RPC 339, Cozens Hardy MR said at p 347:

> When once the idea of applying some well-known thing for a special and new purpose is stated, it may be very obvious how to give effect to that idea, and yet none the less is that a good subject-matter for a patent.

Fletcher Moulton and Buckley LJ both rejected as fallacious the view taken in the court below that ‘an idea may be new and original and very meritorious, but unless there is some invention necessary for putting the idea into practice it is not patentable’. This established view is reflected in the judgment of Whitford J in the present case where he said at p 566:

> It is trite law that you cannot patent a discovery, but if on the basis of that discovery you can tell people how it can be usefully employed, then a patentable invention may result. This in my view would be the case, even though once you have made the discovery, the way in which it can be usefully employed is obvious enough. On this point, I prefer the view of Whitford J to the reasoning of Falconer J. Insofar as a patent claims as an invention the practical application of a discovery, the patent does not, in my judgment, relate only to the discovery as such, even if the practical application may be obvious once the discovery has been made, even though unachievable in the absence of the discovery.

As to the European cases, support for the patentability of Mr Gale’s invention may be found in *IBM Corp/Data Processor Network* (Decision T06183), [1990] EPOR 91, and *IBM Corp/Computer-related Invention* (Decision T115/85), [1990] EPOR 107.

In the end, however, and after much hesitation I reject the contentions advanced for one reason only, namely, that the cases both here and in Europe establish clearly:
(a) that the prohibition in s 1(2) cannot be circumvented by incorporating a program in a floppy disk. See *per* Dillon LJ in the Genentech case at 240 and *per* Fox LJ in *Merrill Lynch’s Application* [1989] RPC 561 at 569, and *IBM Corp/Document abstracting and receiving* (Decision T22/85), [1990] EPOR 98;

(b) that there can be no difference between hardware and software.

This being so, once it is accepted, as it must be, that if Mr Gale’s discovery or method or program were embodied in a floppy disk (software) neither the disk nor a computer into whose RAM that program had been inserted could be patented, it must, in my view, follow that the silicon chip with its circuitry embodying the program (hardware) cannot be patented either. I accept that the differences to which Mr Gale refers certainly exist, but the end result is the same. The computer which has the program inserted into its RAM and the computer which has the program stored in Mr Gale’s ROM are in like case, in that both are capable of deriving square roots by his method and program. Where I respectfully part company with the learned judge is in the passage from 16C-17B of his judgment. In this passage he appears to me to go counter to authority in drawing a distinction between hardware and software. Furthermore, I cannot accept the basis of the distinction. The disk which embodies the program in my view has its structure altered, albeit differently, just as does the chip which embodies the program. Both are useless until they are altered so as to embody the program. When so altered they have the self-same end result.

Sir Nicholas Browne-Wilkinson VC: I agree completely with the judgment of Nicholls LJ and only add a few words of my own because we are differing from the decision of the learned judge.

First, I fully indorse the view of Nicholls LJ that, in the area where the Patents Act 1977 and the European Patent Convention are dealing with the same subject-matter, the courts of this country should pay the greatest respect to the decisions of the boards of appeal established under the convention. Not only does s 130(7) of the Act so provide, but the resultant chaos which would develop if the law in this country diverges from that applicable by the European Patent Office and the other convention countries demands that, if possible, no such divergence occurs. As I understand the position, there is no provision in the European Patent Convention or the Community Patent Convention which gives any one court power to harmonise the law in each of the Member States such as that conferred on the European Court of Justice in relation to European Community law. Therefore uniformity can only be achieved by affording great respect to the decisions of the appeal boards of the European Patent Office.

Turning now to the issues in this case, in my judgment the following propositions are established:

(1) Anything excluded from being an invention by s 1(2) of the Act (‘excluded matters’) cannot qualify as being patentable within s 1(1) by being incorporated in a product or process unless such product or process is either itself novel or produces a technical result which is novel:
(2) The incorporation of a discovery which is an excluded matter in a product or process does not render it patentable if the only effect of such incorporation is to produce something which is itself an excluded matter, eg the trading system in Merrill Lynch’s Application [1989] RPC 561.

(3) A computer program is an excluded matter whether the program is on a disk (software) or in the hardware (a ROM): Genentech Inc’s Patent, [1989] RPC 147 per Dillon J at 240; IBM Corp/Document abstracting and retrieving (Decision T22/85), [1990] EPOR 98; IBM Corp/Text processing (Decision T65/86), [1990] EPOR 181.

Mr Gale’s discovery is a computer program (an excluded matter) incorporated in a ROM which is a device of no inherent novelty. The mere incorporation of the program in the ROM does not alter its nature: it remains a computer program. A computer program remains a computer program whether contained in software or hardware: proposition (3) above. Moreover the result of the incorporation of Mr Gale’s ‘method of calculation’ or ‘computer program’ (both excluded matters) only produces another excluded matter, viz a computer program: proposition (2) above. That is enough to decide this case.

As Nicholls LJ points out, other difficult cases can arise where the computer program, whether in hardware or software, produces a novel technical effect either on a process which is not itself a computing process (see VICOM/Computer-related invention (Decision T208/84), [1987] EPOR 74) or on the operation of the computer itself (see IBM Corp/Computer-related invention (Decision T115/85), [1990] EPOR 107). But, in my judgment, those difficulties do not arise in the present case. Mr Gale’s discovery is from start to finish a ‘mathematical method’ or ‘computer program’: its incorporation in a device having no novelty does not alter the position.

The appeal will therefore be allowed.

Biotechnology

Perhaps the most important patent case anywhere in the world in the last few decades was Diamond v Chakrabarty[6] 100 S Ct 2204, 65 L Ed 2d 144, 206 USPQ 193. There the Supreme Court upheld the idea that biotechnology inventions should be patentable (footnotes omitted):

Mr Chief Justice Burger delivered the opinion of the court.

We granted certiorari to determine whether a live, human-made microorganism is patentable subject-matter under 35 USCA § 101.

I

In 1972, respondent Chakrabarty, a microbiologist, filed a patent application, assigned to the General Electric Company. The application asserted 36 claims related to Chakrabarty’s invention of ‘a bacterium from the genus

[6] Readers should not assume that the American courts are the forum for the activities of a vexatious litigant by the name of Diamond: Sidney Diamond was in fact the Commissioner for Patents at the time of this and the Diehr case.
Chakrabarty’s invention is believed to have significant value for the treatment of oil spills.

Chakrabarty’s patent claims were of three types: first, process claims for the method of making the bacteria; second, claims for an inoculum comprised of a carrier material floated on water, such as straw, and the new bacteria; and third, claims to the bacteria themselves. The patent examiner allowed the claims falling into the first two categories, but rejected claims for the bacteria. His decision rested on two grounds: (1) that micro-organisms are ‘products of nature’, and (2) that as living things they are not patentable subject-matter under 35 USCA § 101.

Chakrabarty appealed the rejection of these claims to the Patent Office Board of Appeals and the Board affirmed the Examiner on the second ground. Relying on the legislative history of the 1930 Plant Patent Act, in which Congress extended patent protection to certain asexually reproduced plants, the Board concluded that § 101 was not intended to cover living things such as these laboratory created micro-organisms.

The Court of Customs and Patent Appeals, by a divided vote, reversed on the authority of its previous decision in In Re Bergy, 563 F 2d 1031 (1978), which held that ‘the fact that micro-organisms ... are alive ... [is] without legal significance’ for purposes of the patent law. Subsequently, we granted the government’s petition for certiorari in Bergy, vacated the judgment and remanded the case ‘for further consideration in the light of Parker v Flook, 437 US 584’, 438 US 902 (1978). The Court of Customs and Patent Appeals then vacated its judgment in Chakrabarty and consolidated the case with Bergy for reconsideration. After re-examining both cases in the light of our holding in Flook, that court, with one dissent, reaffirmed its earlier judgments.

The government again sought certiorari, and we granted the writ as to both Bergy and Chakrabarty, 494 US 924, 101 S Ct 261, 62 L Ed 2d 180 (1979). Since then, Bergy has been dismissed as moot, 444 US 1028, 100 S Ct 696, 62 L Ed 2d 664 (1980), leaving only Chakrabarty for decision.

II

The constitution grants Congress broad power to legislate to ‘promote the progress of science and the useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries’, Art 1, § 8. The patent laws promote this progress by offering inventors exclusive rights for a limited period as an incentive for their inventiveness and research efforts, Kewanee Oil Co v Bicron Corp, 416 US 470, 480-481 (1974); Universal Oil Co v Globe Co, 322 US 471, 484 (1944). The authority of Congress is exercised in the hope that ‘[t]he productive effort thereby fostered will have a positive effect on society through the introduction of new products and

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7 The Federal Circuit was created in 1982.
processes of manufacture into the economy, and the emanations by way of increased employment and better lives for our citizens’, Kewanee, above, at 480. The question before us in this case is a narrow one of statutory interpretation requiring us to construe 35 USCA § 101, which provides:

Whoever invents or discovers any useful process, machine, manufacture, or composition of matter, or any new or useful improvement thereof, may obtain a patent therefore, subject to the conditions and requirements of this title.

Specifically, we must determine whether respondent’s micro-organism constitutes a ‘manufacture’ or ‘composition of matter’ within the meaning of the statute.

III

In cases of statutory construction we begin, of course, with the language of the statute, Southeastern Community College v Davis, 442 US 397, 405 (1979). And ‘unless otherwise defined, words will be interpreted as taking their ordinary, contemporary, common meaning’, Perrin v US, – US –, – (1979). We have also cautioned that courts ‘should not read into the patent laws limitations and conditions which the legislature has not expressed’, US v Dubilier Condenser Corp, 289 US 178, 199 (1933).

Guided by these canons of construction this court has read the term ‘manufacture’ in § 101 in accordance with its dictionary definition to mean ‘the production of articles for use from raw materials prepared by giving to these materials new forms, qualities, properties, or combinations whether by hand labour or by machinery’, American Fruit Growers, Inc v Brogbex Co, 283 US 1, 11 (1931). Similarly, ‘composition of matter’ has been construed consistent with its common usage to include ‘all compositions of two or more substances and ... all composite articles, whether they be the result of chemical union, or of mechanical mixture, or whether they be gases, fluids, powders or solids.’ Shell Dev Co v Watson, 149 F Supp 279, 280 (DC 1957) (citing 1 A Delle, Walker on Patents § 14, p 55 (1st edn 137)). In choosing such expansive terms as ‘manufacture’ and ‘composition of matter’, modified by the comprehensive ‘any’, Congress plainly contemplated that the patent laws would be given wide scope.

The relevant legislative history also supports a broad construction. The Patent Act of 1793, authored by Thomas Jefferson, defined statutory subject-matter as ‘any new or useful art, machine, manufacture, or composition of matter, or any new or useful improvement [thereof]’, Act of 21 February 1793, ch 11, § 1, 1 Stat 318. The Act embodied Jefferson’s philosophy that ‘ingenuity should receive a liberal encouragement’, Writings of Thomas Jefferson, at 75–76. See Graham v John Deere Co, 383 US 1, 7–10 (1966). Subsequent patent statutes in 1836, 1870, and 1874 employed this same broad language. In 1953, when the patent laws were recodified, Congress replaced the word ‘art’ with ‘process,’ but otherwise left Jefferson’s language intact. The committee reports accompanying the 1952 Act inform us that Congress intended statutory subject-matter to ‘include anything under the sun that is made by man,’ S Rep No. 1979, 82d Cong, 2d Sess, 5 (1952); HR Rep No 1923, 82d Cong, 2d Sess, 6 (1952).
This is not to suggest that § 101 has no limits or that it embraces every discovery. The laws of nature, physical phenomena, and abstract ideas have been held not patentable. See Parker v Flook, 437 US 584 (1978); Gottschalk v Benson, 409 US 63, 67 (1973); O’Reilly v Morse, 15 How 61, 112–21 (1853); Le Roy v Tatham, 14 How 155, 175 (1852). Thus, a new mineral discovered in the earth or a new plant found in the wild is not patentable subject-matter. Likewise, Einstein could not patent his celebrated E=mc\(^2\); nor could Newton have patented the law of gravity. Such discoveries are ‘manifestations of ... nature, free to all men and reserved exclusively to none’, Funk, above, at 130.

Judged in this light, respondent’s micro-organism plainly qualifies as patentable subject-matter. His claim is not to a hitherto unknown natural phenomenon, but to a non-naturally occurring manufacture or composition of matter – a product of human ingenuity ‘having a distinctive name, character and use’, Hartranft v Wiegman, 121 US 609, 615 (1887). The point is underscored dramatically here by comparison of the invention here with that in Funk. There the patentee had discovered that there existed in nature certain species of root-nodule bacteria which did not exert a mutually inhibitive effect on each other. He used that discovery to produce a mixed culture capable of inoculating the roots of leguminous plants. Concluding that the patentee had discovered ‘only some of the handiwork of nature’, the court ruled the product non-patentable:

Each of the species of root-nodule bacteria contained in the package infects the same group of leguminous plants which it always infects. No species acquires a different use. The combination of the six species produces no new bacteria, no change in the six bacteria, and no enlargement of the range of their utility. Each species has the same effect it always had. The bacteria perform in their natural way. Their use in combination does not improve in any way their natural functioning. They serve the same ends nature originally provided and act quite independently of any effort by the patentee; 333 US, at 127.

Here, by contrast, the patentee has produced a new bacterium with markedly different characteristics from any found in nature and one having the potential for significant utility. His discovery is not nature’s handiwork, but his own; accordingly it is patentable under § 101.

IV

Two contrary arguments are advanced, neither of which we find persuasive.

(A)
The government’s first argument rests on the enactment of the Plant Patent Act 1930, which afforded patent protection to certain asexually reproduced plants, and the Plant Variety Protection Act 1970, which authorised patents for certain sexually reproduced plants but excluded bacteria from its protection. In the government’s view, the passage of these Acts evidences congressional understanding that the terms ‘manufacture’ or ‘composition of matter’ do not include living things; if they did, the government argues, neither Act would have been necessary.

We reject this argument. Prior to 1930, two factors were thought to remove plants from patent protection. The first was the belief that plants, even those
artificially bred, were products of nature for purposes of the patent law. This position appears to have derived from the decision of the Patent Office in \textit{ex parte Latimer} (1889) CD 123, in which a patent claim for finer found in the needle of the \textit{Pinus australis} was rejected. The Commissioner realised that a contrary decision would permit ‘patents [to] be obtained upon the trees of the forests and the plants of the earth, which of course would be unreasonable and impossible’, \textit{id.}, at 126. The \textit{Latimer} case, it seems, came to ‘set ... forth the general stand taken in these matters’ that plants were natural products not subject to patent protection, H Thorne, ‘Relation of Patent Law to Natural Products’, 6 J Pat Off Soc 23, 24 (1923). The second obstacle to patent protection for plants was the fact that plants were thought not amenable to the ‘written description’ requirement of the patent law, see 35 USCA § 112. Because new plants may differ from old only in colour or perfume, differentiation by written description was often impossible, see Hearings on HR 11372 before the House Committee on Patents, 71 Cong, 2d Sess, 4 (1930), p 7 (memorandum of Patent Commissioner Robertson).

In enacting the Plant Patent Act, Congress addressed both of these concerns. It explained at length its belief that the work of the plant breeder ‘in aid of nature’ was patentable invention, S Rep No 315, 71st Cong, 2d Sess, 6–8 (1930); H R Rep No 1129, 71st Cong, 2d Sess, 7–9 (1930). And it relaxed the written description requirement in favour of ‘a description ... as complete as is reasonably possible’, 35 USCA § 162. No committee or member of Congress, however, expressed the broader view, now urged by the government, that the terms ‘manufacture’ or ‘composition of material’ exclude living things. The sole support for that position in the legislative history of the 1930 Act is found in the conclusory statement of Secretary of Agriculture Hyde, in a letter to the Chairmen of the House and Senate committees considering the 1930 Act, that ‘the patent laws ... at the present time are understood to cover only inventions or discoveries in the field of inanimate nature’, see S Rep No 315, above, at Appendix A; H R Rep No 1129, above, at Appendix A. Secretary Hyde’s opinion, however, is not entitled to controlling weight. His views were solicited on the administration of the new law and not on the scope of patentable subject-matter – an area beyond his competence. Moreover, there is language in the House and Senate Committee reports suggesting that to the extent Congress considered the matter it found the Secretary’s dichotomy unpersuasive. The reports observe:

There is a clear and logical distinction \textit{between the discovery of a new variety of plant and of certain inanimate things}, such, for example, as a new and useful natural mineral. The mineral is created wholly by nature unassisted by man ... On the other hand, a plant discovered resulting from cultivation is unique, isolated, and is not repeated by nature, nor can it be reproduced by nature unaided by man ... S Rep No 315, above, at 6; H R Rep No 1129, above, at 7 (emphasis added).

Congress thus recognised that the relevant distinction was not between living and inanimate things, but between product of nature, whether living or not, and human-made inventions. Here, respondent’s micro-organism is the result of human ingenuity and research. Hence, the passage of the Plant Patents Act affords the government no support.
Nor does the passage of the Plant Variety Protection Act 1970 support the government’s position. As the government acknowledges, sexually reproduced plants were not included under the 1930 Act because new varieties could not be reproduced true-to-type through seedlings, Brief for the US 27, n 31. By 1970, however, it was generally recognised that true-to-type reproduction was possible and that plant patent protection was therefore appropriate. There is nothing in its language or history to suggest that it was enacted because § 101 did not include living things.

In particular, we find nothing in the exclusion of bacteria from plant variety protection to support the government’s position, see above, at n 7. The legislative history gives no reason for this exclusion. As the Court of Customs and Patent Appeals suggested, it may simply reflect congressional agreement with the result reached by the court in deciding re Arzberger, 112 F 2d 834 (1940), which held that bacteria were not plants for the purposes of the 1930 Act. Or it may reflect the fact that prior to 1970 the Patent Office had issued patents for bacteria under § 101. In any event, absent some clear indication that Congress ‘focused on [the] issues ... directly related to the one presently before the court’, SEC v Sloan, 436 US 103, 120-121 (1978), there is no basis for reading into its actions an intent to modify the plain meaning of the words found in § 101. See TVA v Hill, 437 US 153, 189-193 (1978); US v Price, 361 US 304, 313 (1960).

(B) The government’s second argument is that micro-organisms cannot qualify as patentable subject-matter until Congress expressly authorises such protection. Its position rests on the fact that genetic technology was unforeseen when Congress enacted § 101. From this it is argued that the resolution of the patentability of inventions such as respondent’s should be left to Congress. The legislative process, the government argues, is best equipped to deal with the competing economic, social, and scientific considerations involved, and to determine whether living organisms produced by genetic engineering should receive patent protection. In support of this position, the government relies on our recent holding in Parker v Flook, 437 US 584 (1978), and the statement that the judiciary ‘must proceed cautiously when ... asked to extend patent rights into areas wholly unforeseen by Congress’, id, at 596.

It is, of course, correct that Congress, not the courts, must define the limits of patentability; but it is equally true that once Congress has spoken it is ‘the province and duty of the judicial department to say what the law is’, Marbury v Madison, 1 Cranch 137, 177 (1803). Congress has performed its constitutional role in defining patentable subject-matter in § 101; we perform ours in construing the language Congress has employed. In so doing, our obligation is to take statutes as we find them, guided, if ambiguity appears, by the legislative history and statutory purpose. Here, we perceive no ambiguity. The subject-matter provisions of the patent law have been cast in broad terms to fulfil the constitutional and statutory goal of promoting ‘the progress of science and the useful arts’ with all that means for the social and economic benefits envisioned by Jefferson. Broad general language is not necessarily ambiguous when congressional objectives require broad terms.
Nothing in Flook is to the contrary. That case applied our prior precedents to determine that a ‘claim for an improved method of calculation, even when tied to a specific end use, is unpatentable subject-matter under § 101’, 437 US, at 595, n 18. The court carefully scrutinised the claim at issue to determine whether it was precluded from patent protection under ‘the principles underlying the prohibition against patents for “ideas” or phenomena of nature’. Flook did not announce a new principle that inventions in areas not contemplated by Congress when the patent laws were enacted are unpatentable per se.

To read that concept into Flook would frustrate the purposes of the patent law. This court frequently has observed that a statute is not to be confined to the ‘particular application[s] ... contemplated by the legislators’, Barr v US, 324 US 83, 90 (1940); accord, Brorson v US, 312 US 335, 339 (1941); Puerto Rico v Shell Co, 302 US 253, 257 (1937). This is especially true in the field of patent law. A rule that unanticipated inventions are without protection would conflict with the core concept of the patent law that anticipation undermines patentability. See Graham v John Deere Co, 383 US, at 12–17. Mr Justice Douglas reminded that the inventions most benefiting mankind are those that ‘push back the frontiers of chemistry, physics and the like’, A & P Tea Co v Supermarket Corp, 340 US 147, 154 (1950) (concurring opinion). Congress employed broad general language in drafting § 101 precisely because such inventions are often unforeseeable.

To buttress its argument, the government, with the support of amicus, points to grave risks that may be generated by research endeavours such as respondent’s. The briefs present a gruesome parade of horribles. Scientists, among them Nobel laureates, are quoted suggesting that genetic research may pose a serious threat to the human race, or, at the very least, that the dangers are far too substantial to permit such research to proceed apace at this time. We are told that genetic research and related technological developments may spread pollution and disease, that it may result in a loss of genetic diversity, and that its practice may tend to depreciate the value of human life. These arguments are forcefully, even passionately, presented; they remind us that, at times, human ingenuity seems unable to control the forces that it creates – that with Hamlet, it is sometimes better ‘to bear those ills we have than fly to others that we know not of’.

It is argued that this court should weigh these potential hazards in considering whether respondent’s invention is patentable subject-matter under § 101. We disagree. The grant or denial of patents on micro-organisms is not likely to put an end to genetic research or to its attendant risks. The large amount of research that has already occurred when no researcher had certain knowledge that patent protection would be available suggests that legislative or judicial fiat as to patentability will not deter the scientific mind from probing into the unknown any more that Canute could command the tides. Whether respondent’s claims are patentable may determine whether research efforts are accelerated by the hope of reward or slowed by want of incentives, but that is all.

What is more important is that we are without competence to entertain these arguments – either to brush them aside as fantasies generated by fear of the
unknown, or to act on them. The choice we are urged to make is a matter of high policy for resolution within the legislative process after the kind of investigation, examination, and study that legislative bodies can provide and courts cannot. That process involves the balancing of competing values and interests, which in our democratic system is the business of elected representatives. Whatever their validity, the contentions now pressed on us should be addressed to the political branches of the government, the Congress and the Executive, and not to the courts.

We have emphasised in the recent past that ‘[o]ur individual appraisal of the wisdom or unwisdom of a particular [legislative] course ... is to be put aside in the process of interpreting a statute’, Hill v TVA, 437 US 153, 194 (1978). Our task, rather, is the narrow one of determining what Congress meant by the words it used in the statute; once that is done our powers are exhausted. Congress is free to amend § 101 to exclude from patent protection organisms produced by genetic engineering. Compare 42 USCA § 2181, exempting from patent protection inventions ‘useful solely in the utilisation of special nuclear material or atomic energy in an atomic weapon’. Or it may choose to craft a statute specifically designed for such living things. But, until Congress takes such action, this court must construe the language of § 101 as it is. The language of that section fairly embraces respondent’s invention.

Accordingly, the judgment of the Court of Customs and Patent Appeals is affirmed.

The patentability of such inventions under the UK law was considered in Genentech’s Patent [1989] RPC 147. The patent claimed various inventions which followed from discoveries in the field of genetics. It was attacked first on the grounds that the claims were to a discovery ‘as such’, which would be excluded by s 1(2)(a) of the Patents Act 1977. Purchas LJ said:

In my judgment the plain and ordinary interpretation to be given to the words ‘only to the extent that’ in conjunction with ‘relates to that thing as such’ is derived from taking the two phrases together as meaning that any of the matters listed in subparagraphs (a)–(d) shall not be an invention for the purposes of the Act. Semble, otherwise they would have constituted inventions and shall only to the extent that the application or patent relates to that step as such be disqualified. Applying this approach to the facts of the present case, a claim for the figure 5 data would be a claim to a discovery as such and only to that extent would be disqualified by s 1(2). If, on the other hand, the discovery is one that was not known in the state of the art at the material date and was not obvious to a person skilled in the art, then it is capable of forming the substratum of invention so that if it is applied in a technique or process or incorporated in a product then it would be patentable. This is in line with the judgments in Hickton’s case (1909) 26 RPC 339 and the opinions expressed by the Technical Board of Appeal in Vicom’s case. It is also what I believe to have been the view of Whitford J:

It is trite law that you cannot patent a discovery, but if on the basis of that discovery you can tell people how it can be usefully employed then a patent or invention may result. This in my view would be the
case even though once you have made the discovery the way in which it can be usefully employed is obvious enough.

Dillon LJ stated:

The ‘vehicle’ by which the ‘discovery’ can become an invention need not itself be ‘new’ in the sense of s 2(1) in order to escape the disqualification in s 1(2)(a) if the principles in Hickton’s case apply ...

He went on:

I am able to accept part of Mr Gratwick’s submission that Genentech should be entitled to protection not only in respect of their plasmids detailed in their specification but also in respect of plasmids or vectors readily available within the state of the art, or immediate derivations or variations thereof. I would extend this to include plasmids or vectors incorporating genes resulting from minor adjustments to the molecular structure of the gene disclosed in figures 4, 5 and 12 of the patent. I think that this accords with the sense of the protocol to Article 69.

However, as I have already indicated, Mr Gratwick’s contention that Genentech should be protected against any use of this information, howsoever this may be achieved in the future, is, in my view, not a claim to a method embracing the discovery but rather a claim for protection of the discovery as such. There are two reasons for this: first, the claim is speculative as to the method by which the discovery is to be embraced; second, the method is not capable of description and it must fail under s 72(1)(c). Again, I believe that this limitation does justice between the patentee and the public and is in accordance with the protocol to Article 69.

Non-patentable inventions

In addition to the matters mentioned in s 1(2), which are not inventions as far as the Act is concerned, there are inventions that will not be protected, which are set out in s 1(3).

A patent shall not be granted:

(a) for an invention the publication or exploitation of which would be generally expected to encourage offensive, immoral or anti-social behaviour;

(b) for any variety of animal or plant or any essentially biological process for the production of animals or plants, not being a microbiological process or the product of such a process.

(4) For the purposes of subsection (3) above behaviour shall not be regarded as offensive, immoral or anti-social only because it is prohibited by any law in force in the UK or any part of it.

(5) The Secretary of State may by order vary the provisions of subsection (2) above for the purpose of maintaining them in conformity with developments in science and technology; and no such order shall be made
unless a draft of the order has been laid before, and approved by resolution of, each House of Parliament.

In *Ciba Geigy’s Propagating Material Application* [1984] OJ EPO 112 the applicant claimed propagating material which in one claim was said to consist of seed. The Examining Division rejected the claims as debarred by EPC, Art 53(b); but the Technical Board of Appeal disagreed:

2. No general exclusion of inventions in the sphere of animate nature can be inferred from the European Patent Convention (*cf* Art 52(1) in conjunction with Art 53(b) after the semicolon, and Rules 28 and 28a EPC). However, Article 53(b) EPC before the semicolon prohibits the granting of patents for certain biological inventions. This provision, which needs to be examined more closely in the present case, says that patents shall not be granted in respect of plant varieties or essentially biological processes for the production of plants. The skilled person understands the term ‘plant varieties’ to mean a multiplicity of plants which are largely the same in their characteristics and remain the same within specific tolerances after every propagation or every propagation cycle. This definition is reflected in the International Convention for the Protection of New Varieties of Plants of 2 December 1961, which is intended to give the breeder of a new plant variety a protective right (*Art 1(1)*) extending both to the reproductive or vegetative propagating material and also to the whole plant (*Art 5(1)*). Plant varieties in this sense are all cultivated varieties, clones, lines, strains and hybrids which can be grown in such a way that they are clearly distinguishable from other varieties, sufficiently homogeneous, and stable in their essential characteristics (*Art 2(2)* in conjunction with Art 6(1)(a), (c) and (d)). The legislator did not wish to afford patent protection under the European Patent Convention to plant varieties of this kind, whether in the form of propagating material or of the plant itself.

3. Claims 13 and 14, whose maintenance resulted in the refusal of the present application, concern propagating material, in particular seeds of cultivated plants, treated with a sulphurous oxime derivative which is characterised in greater detail in claim 1. A definition of cultivated plants in the description (*cf* p 9, paragraph 3) shows that this includes all plants which yield substances in any form. Examples of known plants are listed. Propagating material from such cultivated plants comprises all reproductive plant components, including plants and plantlings which have begun to be germinated, but particularly seeds (*cf* p 10, paragraph 2, of the description).

Even if certain known varieties of wheat, millet and barley are mentioned in the examples in connection with oxime treatment (*cf* pp 35 and 36 of the description), the subject-matter of claims 13 and 14 is not an individual variety of plant distinguishable from any other variety, but the claims relate to any cultivated plants in the form of their propagating material which have been chemically treated in a certain way. However, Article 53(b) EPC prohibits only the patenting of plants or their propagating material in the genetically fixed form of the plant variety.
4. The very wording of Article 53(b) EPC before the semicolon precludes the equation of plants and plant varieties, which would also be at variance with the general sense of the provision. Plant varieties were excluded from European patent protection mainly because several of the signatory States to the European Patent Convention have developed special protection for plant breeding at national and international level (R Singer, *The New European Patent System*, Seminar Services International, p 22, paragraph 6).

In Article 53(b) EPC before the semicolon the authors adhered strictly to the wording of Article 2(b) of the Strasbourg Patent Convention of 27 November 1963, in which the Contracting States to that convention were given the opportunity to exclude plant varieties, amongst other things, from patent protection. Even at that time the majority of the States represented on the Council of Europe were already of the opinion that plant varieties should be protected not by patents but by a special industrial property right (*Pfanner, Vereinheitlichung des materiellen Patentrechts im Rahmen des Europarats*, GRUR Int 196Z, 545, 547).

By contrast, the innovation claimed here does not lie within the sphere of plant breeding, which is concerned with the genetic modification of plants. Rather, it acts on the propagating material by means of chemical agents in order to make it resistant to agricultural chemicals. The new parameter for the propagating material, namely treatment with an oxime derivative, is not a criterion which can be characteristic of a plant variety as far as the protection of varieties is concerned. There is therefore no conflict between the protection of varieties or the patent as different forms of protection for propagating material treated in this way. In fact, patent protection is the only possibility.

Technologically, the treatment with an oxime derivative is a plant protection measure which, in contrast to other cases, is carried out on a marketable object, namely the propagating material. It is not necessary for the object of the treatment always to be a plant varietal since the treatment can also be carried out on propagating material which does not meet the essential criteria of homogeneity or stability characteristic of a plant variety. Conversely, it is immaterial to the question of patentability that the propagating material which is treated can also be, or is primarily, a plant variety. If plant varieties have been excluded from patent protection because specifically the achievement involved in breeding a new variety is to have its own form of protection, it is perfectly sufficient for the exclusion to be left restricted, in conformity with its wording, to cases in which plants are characterised precisely by the genetically determined peculiarities of their natural phenotype. In this respect there is no conflict between areas reserved for national protection of varieties and the field of application of the EPC. On the other hand, innovations which cannot be given the protection afforded to varieties are still patentable if the general prerequisites are met.

5. Moreover, the propagating material claimed is not the result of an essentially biological process for the breeding of plants – which would be excluded from patent protection – but the result of treatment with chemical agents (eg dressing agents, seed-dressing processes, immersion of...
the plantling in an oxime solution, cf p 6, line 23, p 9, line 8 and p 10, lines 17–20). To summarise, therefore, Article 53(b) EPC is not an obstacle to the patenting of the propagating material claimed in the present case.

The most controversial instance of patent protection being granted over a living organism is Harvard College’s Onco-Mouse Application [1989] OJ EPO 451. The invention here was for a genetically modified mouse, particularly susceptible to developing tumours. It is a valuable tool in cancer research, though the moral implications of breeding (and indeed of patenting) such creatures has been hotly contested. Claim 1 read:

A method for producing a transgenic non-human mammalian animal having an increased probability of developing neoplasms, said method comprising introducing an activated oncogene sequence into a non-human mammalian animal at a stage no later than the 8-cell stage.

A US patent was granted for the animal, and the EPO has now granted a European patent, though opposition to it was vociferous. Extracts from the decision of the Examination Division of the EPO follow.

7 Considerations under Article 53(b) EPC

In defence of his position the applicant essentially points out that
- the claims are not directed to an animal variety,
- the claimed process (which is also used for defining the animals claimed *per se*) is not essentially biological, and that:
- consequently, the animals of Claims 17 and 18 are to be considered patentable subject-matter as they represent the product of a microbiological process.

7.1 Animal varieties

7.1.1 In interpreting Article 53(b) EPC, it has to be borne in mind that the language of the article goes back to the Strasbourg Convention which was conceived in 1962 and that at that time the question of patenting transgenic animals was scarcely conceivable. In interpreting the article, it is therefore necessary to consider what the intentions of the legislator were at that time.

7.1.2 In Article 53(b) EPC it is stated that European patents shall not be granted in respect of animal varieties. This provision is interpreted by the Examining Division to refer not only to those cases where a specifically designated variety is claimed but also to cases where varieties are covered by a claim.

7.1.3 It is true that the Board of Appeal has interpreted the term plant variety in the same paragraph as excluding from patentability only plants in the genetically fixed form of a plant variety (T 49/83, OJ EPO 1984, 112, later confirmed in T 320/87, as yet unpublished).

This conclusion was based on the purpose of the provision. The legislator of the EPC wanted to have plant varieties protected by a
special industrial property right according to the International Convention for the Protection of New Varieties of Plants (UPOV Convention). Double protection was to be excluded according to Article 2(1) of the UPOV Convention. The restrictive interpretation of the exclusion of plant varieties is therefore justified by the limited purpose of the provision to exclude from patent protection only such subject-matter which is eligible for plant variety protection.

7.1.4 No similar situation exists in the field of animals. The exclusion of animal varieties in Article 53(b) EPC was taken over unchanged from Article 2(b) of the Strasbourg Convention, in which the Contracting States were given the opportunity to exclude animal varieties from patent protection. The idea behind this exclusion was that animal varieties are not an appropriate subject-matter for patent protection (Pfanner, Vereinheitlichung des Materiellen Patentrechts im Rahmen des Europarats GRUR Int 1962, 545, p 547).

Moreover, if Article 53(b) EPC is considered in the three official languages it is apparent that with regard to plants the legislator used identical designations in all three languages whereas this is not the case with respect to animals. The German version Tierarten is definitely different from the English ‘animal varieties’ and the French races animales. This is a further indication that the legislator’s intention was not the exclusion of some particular group of animals but rather the exclusion of animals in general.

7.1.5 It is therefore quite in conformity with the law to reject not only claims to a specific variety but also claims covering an animal variety. Claims 17 and 18 refer to ‘A ... mammalian animal’ and to ‘rodent’, respectively, and thus any individual animal/rodent having the oncogene in question is covered by these claims.

Moreover, groups of very similar animals having the same or a very similar appearance are covered by the claim and therefore also groups of animals forming varieties.

7.1.6 In addition, the term animal variety is not a criterion sufficient to delineate patentable from non-patentable subject-matter. Whereas the UPOV Convention, especially in Article 6, gives a legal definition for plant varieties which can also be applied to Article 53(b) EPC (see also Decision T 320/87, item 13), no similar definition exists for animal varieties.

Furthermore, there is no uniform use of this term in scientific language which would give a clear and reliable basis for the application of Article 53(b).

Applicant’s arguments that the EPO has no difficulty in distinguishing between deposited strains of micro-organisms and general claims to classes of micro-organisms and that a parallel can be drawn to animal varieties and animals is not convincing because in the present situation ‘animal varieties’ is something which is clearly excluded whereas, in the comparison, deposited strains are not.
Moreover, strains of micro-organisms and taxonomic classes thereof are well known and accepted in biology whereas, as pointed out above, no good and generally accepted definition of animal varieties exists.

7.1.7 At the oral proceedings the applicant has offered a definition of the term ‘animal variety’. According to this definition an animal variety shall be understood to be the result of the mere breeding of animals. Claims 17 and 18 contain process features (‘or an ancestor of said animal’) which are concerned with the mere breeding of animals, namely animals which already have the oncogene incorporated in their genome. Thus, if the above definition is applied to the animals of Class 17 and 18, it also follows that animal varieties are covered by these claims.

7.1.8 In summarising, Claims 17 and 19 embrace subject-matter excluded from patentability by Article 53(b) EPC and are not allowable for this reason.

7.2 Essentially biological processes, microbiological processes and the products of the latter

7.2.1 As pointed out in Decision T 320/87 in paragraph 6 the exclusion of ‘essentially biological’ has to be construed narrowly and this question has to be judged on the basis of the essence of the invention. The essence of the present process invention is the introduction of an oncogene into an animal by technical means, eg micro-injection. This clearly is not ‘essentially biological’ and therefore an objection under Article 53(b) first part EPC was not raised having regard to the process claims.

7.2.2 Therefore, it is not a point in issue for the patentability of the claimed process, whether it is of a microbiological character or not (for the product claims see 7.2.4 below).

7.2.3 In considering the product Claims 17 and 18 it is noted that these claims contain two separate process steps, namely the non-biological step referred to in the preceding paragraph 7.2.1 and the breeding step as referred to in paragraph 7.1.7 in order to extend the claims to generations of animals which were not themselves genetically manipulated. The two steps result in two different products. Animals which were genetically manipulated themselves are products of a non-essentially biological process, whereas further generations are the product of sexual reproduction which is exclusively biological: therefore, the latter products do not fall under Article 53(b) second part EPC. The artificial connection of the two steps aims at circumventing the exclusion provision in Article 53(b) first part EPC. This does, however, not dispense with the need to evaluate the biological or non-biological character of each step according to its merits.

7.2.4 Even if the Division followed the arguments of the applicant and regarded the process as a whole and accepted its character as being essentially non-biological, this would not make the product claims allowable. In general, products of micro-biological process are accessible to protection under Article 53(b) EPC, second part. This part
has to be interpreted in the light of the first part; if the product of a process is something which falls under the manifest exclusion of the first part of said article, the second part cannot be interpreted as setting aside the first part. This means that at the least, processes producing plant or animal varieties in the sense of the first part are not to be regarded as microbiological processes. This seems to be quite in conformity with scientific terminology which uses microbiology in relation to micro-organisms and biology in relation to plants or animals even at the cellular stage. Both the main and the auxiliary request are therefore not acceptable.

ADEQUATE DISCLOSURE

The nature of the patent bargain requires that the applicant for a patent make a full disclosure of the matter that they claim for their own. The learning has to be put at the disposal of the public, save of course for the fact that no one can do what is claimed in the invention without the permission of the patentee.

There might be a temptation to cut corners, to try to keep back some part of the learning. Of course, most patents have secret know-how associated with them: the applicant does not have to reveal everything she knows about the invention. But the disclosure must satisfy the minimum requirements laid down in the legislation otherwise the application will not have been properly filed. The considerations involved in determining whether an invention was properly disclosed were set out in No Fume v Pitchford [1935] 52 RPC 231 (CA) by Romer LJ:

Let me deal with the question of sufficiency first. Be it observed from the very words I have used, that the patentee fulfils his duty if in his complete specification he describes and ascertains the nature of the invention, and the manner in which the invention is to be performed, sufficiently and fairly. It is not necessary that he should describe in his specification the manner in which the invention is to be performed, with that wealth of detail with which the specification of the manufacturer of something is usually put before the workman who is engaged to manufacture it. Specifications very frequently contain mistakes; they also have omissions. But if a man skilled in the art can easily rectify the mistakes and can readily supply the omissions, the patent will not be held to be invalid. The test to be applied for the purpose of ascertaining whether a man skilled in the art can readily correct the mistakes or readily supply the omissions, has been stated to be this: Can he rectify the mistakes and supply the omissions without the exercise of any inventive faculty? If he can, then the description of the specification is sufficient. If he cannot, the patent will be void for insufficiency. That principle was laid down – I do not know whether for the first time or not in a reported case – in the case of The King v Arkwright reported in the first volume of Webster’s Patent Cases, p 64. There Mr Justice Buller, in summing up to the jury, said this: ‘It has been truly
said by the counsel, that if the specification be such that mechanical men of common understanding can comprehend it, to make a machine by it, it is sufficient; but then it must be such that the mechanics may be able to make the machine by following the directions of the specification, without any new inventions or additions of their own.'

It is plain, I think, that by the word ‘additions’ the learned judge meant inventive additions. That principle has been applied in numerous cases, to which Mr Whitehead called our attention in his opening and to which the Master of the Rolls has already referred. In those circumstances, I should only desire to refer to a short passage in the judgment of Sir George Jessel in Otto v Linford (46 Law Times NS 35). That was a case relating to the Otto gas engine; and it had been alleged, among other things, that the patent was void for insufficiency, inasmuch as the specification did not show the proportions in which the air was to be put in as regards the combustible mixture. Sir George Jessel said this, on p 41:

The first thing to be remembered, in specifications of patents, is that they are addressed to those who know something about the matter. A specification for improvements in gas motor engines is addressed to gas-motor-engine makers and workers, not to the public outside. Consequently you do not require the same amount of minute information that you would in the case of a totally new invention, applicable to a totally new kind of manufacture. In this case the inventor says this: ‘I am going to turn that which was a sudden explosion of gas into a gradual explosion of gas, and I am going to do that by the introduction of a cushion of air in one place between the piston and the combustible mixture’. If a man is left without any more information he asks: ‘How much air am I to let in?’ He lets in a little air, and he finds that the thing explodes as before; and he lets in some more, and he finds directly, on the mere regulation of his stopcock, how much is required; and he finds very soon that he has let in enough, and now there is a gradual expansion, and no longer a sudden and explosive expansion. It does not appear to me that that requires invention. It requires a little care and watching, and that is all.

That being the principle to be applied, we turn to the specification of the patent in suit. I am not going to read it again; but the patentee tells us that he has discovered that, if an ashtray be made so that it consists of ‘a closed container, into which extends an inlet shaft of substantially constant cross section, the sides of which, with the sides of the container form a trapped space completely closed above, whilst wholly beneath the shaft is provided a deflecting member which deflects everything that is thrown into the container away from and to one side of the lower mouth of the shaft’, the smoke of a cigarette thrown into the shaft will not come out through the shaft but will be retained in the receptacle: subject, however, to this, that you must not make the container too large or too small, or the other integers he has mentioned too large or too small. You will not get the result of the smoke being contained, if you do. But once given the fact that, if the thing be made in the way mentioned, the desired result will be obtained if the various integers bear one to another the proper relative proportion, it requires no invention or inventive study further to discover within what limits those proportions should lie. That can be done.
easily enough by a series of experiments similar to the experiment Sir George Jessel referred to as necessarily being made by a workman who wanted to find, in the case of the Otto gas engine, how much air he should let in to produce the result that the patentee said would be produced.

The specification as has been pointed out by the Master of the Rolls, expressly says this: ‘The dimensions of the shaft and of the deflecting member, relatively to one another and to the sides of the closed container, being so selected that the smoke rising from objects thrown into the container is collected entirely in the enclosed space, and upon cooling is again thrown down without, however, during its movement being able to pass the lower mouth of the shaft.’ In other words, the patentee does not tell the world within what limits the relative proportions of the integers he has mentioned must be kept to produce the desired result.

If, however, a workman skilled in the art can by trial and error readily discover for himself what the proportions should be in order to give the desired result, then, inasmuch as I have already pointed out, that to discover those proportions requires the exercise of no inventive faculty at all, the patentee has complied with his obligation. It is further to be observed in this case that the patentee does show a drawing illustrating, as he says, one construction of the ashtray by way of example. So the workman has not only the common knowledge of his trade to help him, but he has also the example shown by the figure attached by the patentee to the specification. Further, Mr Gill stated in his evidence that he found no difficulty whatsoever, by following the directions contained in the specification, in making an ashtray which had the desired result: on p 7 of the first day of the evidence, he was asked this.

That is from the Particulars of Objection. He was asked: ‘Do you find any such impossibility? (A) No; I find no difficulty, following the specification, in arriving at suitable dimensions, and nothing which I have done in attempting to carry out the invention has led me to any such difficulty as is suggested in this paragraph’. It is established by the authorities that the question of sufficiency or non-sufficiency is a question of fact. That is the only evidence that has been given in this case upon this question. For that reason and for the other reasons which I have mentioned, I am of opinion that this patent is not void for want of sufficiency.

CONTENT OF THE RIGHT

A patent, once granted, gives its owner the exclusive right to work the invention it protects. Although the information about how to work the invention is made public in the specification of the patent, and is available for others to draw upon, no one may do precisely what is set out in the patent without the permission of the owner.
This applies equally to deliberate infringements and to innocent ones, although the remedies available against an innocent infringer will not be the same as those which can be obtained against an infringer who knew full well that the patent existed.

No infringement action can be started before the patent is granted. Infringements taking place after publication of the application may be the subject of a claim for damages (s 69) but the action cannot be started before the patent is granted.

SCOPE OF MONOPOLY

The construction of a patent specification is a matter which has caused some controversy in the past. To amount to an infringement, the act complained of must be within the scope of the specification and the claims (which in turn must be supported by the specification) in the patent application, as amended before grant if this has been necessary to satisfy the examiner.

A literal interpretation is not appropriate for a patent specification, which is a document written for scientists or engineers skilled in the art to which it relates. In *Rodi & Weinberger AG v Henry Showell Ltd* [1969] RPC 367 Lord Reid disapproved a literal approach:

... claims are not addressed to conveyancers: they are addressed to practical men skilled in the prior art, and I do not think that they ought to be construed with that meticulousness which was once thought appropriate for conveyancing documents.

Where the issue of infringement is not clear cut, the question may be to consider whether the differences between the defendant’s variant and the patented invention are material. Do they differ in essential or inessential respects? This involves the so-called ‘pith and marrow’ approach, where those components essential to the invention are separated from those which are not. Even though there might be variations in the inessential elements, if the infringer has taken all the essential ones there can be no doubt that the infringement has taken place.

However, it is easy to frame the claims narrowly, so that some slight modification suffices to remove the variant from the scope of the patent. See the House of Lords judgment in *Van der Lely NV v Bamfords Ltd* [1963] RPC 61 in which the plaintiff developed a mechanised hay-rake. Its wheels were moved by contact with the ground instead of being driven round mechanically. This was the principal feature of the invention as patented, but it was found to have been anticipated by a photograph of an American hay-rake having the same characteristic. The claims directed to this feature were therefore invalid.
A second inventive feature allowed the device to be converted into a swathe-turner. As a rake the machine’s wheels were ranged down the side of the mechanism, parallel and slightly overlapping. To convert it to a swathe-turner, the hindmost wheels were moved forward to a position, side by side with the foremost wheels. Claim 11 read:

A device as claimed in claim 10 wherein of the row or each row one or more of the rake wheels situated hindmost in the direction of motion of the vehicular frame is/are separately or jointly dismountable from the said row, and means is provided to carry the dismounted wheels in one or more groups adjacent the foremost rake wheels of the original row and parallel thereto.

The claim was held valid. The defendant company, however, produced a rake in which the three foremost wheels were dismounted, and remounted beside the hindmost wheels.

Viscount Radcliffe held:

I do not say that what is called in legal jargon the ‘pith and marrow’ principle has no longer any status in patent law. To the extent I disagree with the argument put before us by Sir Lionel Heald on behalf of the respondents and, with all respect to that argument, I think that he attributes a general significance to the decision of this House in EMI v Lissen [1939] 56 RPC 23, which is greater than it is capable of sustaining. On the other hand, the application of this principle is from first to last directed to the prevention of abuse of patent rights by colourable evasion: it is not a special or ‘benevolent’ method of construing an uncertain claim; and I think that he is right to remind us that the basic duty of the patentee to state clearly what is the invention for which he seeks protection and the modern practice of building up patent claims by a meticulous accumulation of separate or combined elements has left a good deal less room for a patentee to complain of abuse, where there is no textual infringement, than may have been allowed to him at some periods in the past. When, therefore, one speaks of theft or piracy of another’s invention or says that it has been ‘taken’ by an alleged infringer and this ‘pith and marrow’ principle is invoked to support the accusation, I think that one must be very careful to see that the inventor has not by the actual form of his claim left open to the world the appropriation of just that property that he says has been filched from him by piracy or theft. After all, it is he who has committed himself to the unequivocal description of what he claims to have invented, and he must submit in the first place to be judged by his own action and words. If he is so judged, I cannot for my part see what inventive idea is claimed by claim 11, regarded as a separate claim, except the idea of dismounting the hindmost wheels and bringing them forwards to a position adjacent to and parallel with the foremost wheels. Without that claim 11 adds nothing material to what is contained in claim 10; and claim 10, it is agreed, fails because it is only a statement of a general principle and is too wide and vague for enforceability. I cannot, therefore, embark upon an enquiry whether the dismountability of the hindmost wheels is an essential or unessential element of the invention claimed, because it seems to me that the patentee himself has told us by the way that he has drawn up claim 11 that this dismountability of
the hindmost wheels is the very element of his idea that makes it an invention. When one says, then, as has been said by the majority of the Court of Appeal, that the appellants have deliberately chosen to make it an essential feature of the claim that the hindmost wheels should be detachable, what one means is not merely that the wording of this claim has been carefully selected, as has all the rest of the patent document, to put the appellants in as strong a position as their expert advisers thought attainable or desirable, but also that the appellants have stated clearly and without equivocation that the point of their invention lies in its application to the hindmost wheels. The case has not revealed why they decided to concentrate on this aspect. It may be, as the trial judge thought, that they simply had not realised that the required vehicular frame could be devised which allowed for the retention in position of the hindmost wheels. If so, it does not seem to me unfair to say that the respondents’ device of bringing the foremost wheels back contains an element of inventive ingenuity. But however that may be, I think that, as the Court of Appeal thought, ‘why they so confined the claim is not for us to speculate.’ The fact is that they did, and it is not open to them to complain if others are found to have occupied the ground that they so deliberately refrained from enclosing.

In Rodi & Wienenberger v Showell [1969] RPC 367 the plaintiff had a patent for an expandable watch-strap made up of two layers of sleeves. Each sleeve was connected to two sleeves in the layer above or below by ‘U-shaped connecting bows’, as Claim 1 described them. These bows were inserted along each side of the strap and were themselves held in place by means of springs within each sleeve. The rotation of the bows allowed the strap to expand. The defendants’ straps replaced each pair of U-shaped bows (one on each side with a single C-shaped bow which ran right across the sleeve). In the House of Lords, Lord Upjohn held:

First, the question is whether the relevant claim has been infringed. This is purely a question of construction of the claim read as a matter of ordinary language, in the light of the complete specification taken as a whole, but the claim must be construed as a document without having in mind the alleged infringement. What is not claimed is disclaimed. The claim must be read through the eyes of the notional addressee, the man who is going to carry out the invention described. There are many authorities on this, but it is unnecessary to review them, for I have already said enough to show that, in my view, this document must be read through the eyes of the common man at his bench. In considering the claim the court must ascertain what are the essential integers of the claim: this remains a question of construction and no general principles can be laid down (see my observations in Van der Lely v Bamfords Ltd [1961] RPC 296 at 313 approved on appeal to this House).

Second, the essential integers having been ascertained, the infringing article must be considered. To constitute infringement the article must take each and every one of the essential integers of the claim. Non-essential integers may be omitted or replaced by mechanical equivalents; there will still be infringement. I believe that this states the whole substance of the ‘pith and marrow’ theory of infringement. Furthermore, where the invention, as in this case, resides in a
new combination of known integers but also merely in a new arrangement and interaction of ordinary working parts it is not sufficient to show that the same result is reached; the working parts must act on one another in the way claimed in the claim of this patent. This is well illustrated by Birmingham Sound Reproduce Ltd v Collaro Ltd [1956] RPC 232 where Lord Evershed MR delivering the judgment of the court said at p 245: ‘Thus the essence of the invention resides wholly in the selection and arrangement of the parts and the manner in which they interact when arranged in accordance with the invention. It is therefore essential to the invention that it should consist of the particular parts described in the claim arranged and acting upon each other in the way described in the claim.’ The question therefore appears to be whether the allegedly infringing apparatus consists of substantially the same parts acting upon each other in substantially the same way as the apparatus claimed as constituting the invention. It is not enough to find that the parts comprised in the respondents’ apparatus individually or collectively perform substantially similar functions to those performed individually or collectively by the parts comprised in the apparatus claimed as the appellants’ invention, or that the respondents’ apparatus produces the same result as the appellants’ apparatus. It must be shown that the respondents’ selection and arrangements of parts is substantially the same as the appellants’ selection and arrangement of parts, for it is in such selection and arrangement that the appellants’ invention resides.

So if the patentee has in his specification limited the essential features of his claim in a manner that may appear to be unnecessary, it may be that the copier can escape infringement by adopting some simple mechanical equivalents so that it cannot be said that every essential integer of the claim has been taken: the Van der Lely case (admittedly a borderline case which led to a conflict of judicial opinion upon its facts) affords a very good example. But it must be remembered that unlike a conveyance or commercial document which is normally inter partes and must be interpreted, frequently very broadly, so far as possible to give effect to what appears to have been the intentions of the parties, a patent is a grant of a monopoly forbidding others to enter a part of the general commercial territory open to all of Her Majesty’s subjects and so in the interests of those subjects that territory must be marked out with reasonable clarity by the claim, construing it fairly in the light of the relevant art.

Together with Lords Morris of Borth-y-Gest, Hodson and Guest, Lord Upjohn found that U-shaped bows were essential integers and that accordingly there was no infringement. Lords Reid and Pearce dissented, Lord Pearce saying:

It is not enough to say that the U-shaped bow was an essential integer and that the respondents have not got two U-shaped bows but only one C-shaped connector. For the question is whether the essential part of the essential integer is taken although the inessential parts of it have been omitted. Neither the individual U-shape (as opposed to any other alphabetical shape) nor its lack of attachment to the connector at the other end is its essential quality. Its essential feature lies in that it connects two adjacent sleeves by a bridge between two parallel limbs that lie in the sleeves and pivots on the spring. The C-shaped
connector has this feature too, since it has at each end a U-shape which performs the functions of the plaintiffs’ U-shaped bows and it pivots on the spring in precisely the same way. In all essential respects, therefore, it is the same.

The European Patent Convention made potentially radical changes to the patent law of the UK. In particular, the Protocol on Interpretation of Article 69 specified how claims should be interpreted, displacing (it might be thought) the rules laid down in the earlier English cases.8

Recently, the validity of this approach was called into question in PLG Research Ltd and anor v Ardon International Ltd and anor [1995] FSR 116, CA in which the Court of Appeal provides a useful summary of the development of the law holding that the test formulated by Lord Diplock in Catnic and refined by Hoffmann J in Improver had been displaced by the protocol.

Neill LJ: This is an appeal from a judgment of Aldous J given on 30 July 1992 in which he found that two of the plaintiffs’ patents contained no inventive step and were accordingly invalid, and that even if they had been valid they had not been infringed. The judge dismissed an attack on the patents on the ground of anticipation, and although the respondents served a respondents’ notice they have not pursued it before us. Accordingly the questions with which we are concerned are (1) obviousness and (2) infringement.

The patents in question are concerned with the production of plastic nets and their use in civil engineering. Such nets are produced by making a sheet of suitable plastic material with a pattern of holes (‘the starting material’) and stretching it to form a net. One patent, No 2,035,191 (‘the Biax patent’), relates to nets which have been stretched biaxially, that is to say in two different directions at right angles to each other. The other, No 2,073,090 (‘the Uniax patent’), relates to nets which have been stretched uniaxially, that us to say in one direction only, and is a divisional of the Biax patent. It covers the first of the two stretching operations required by the Biax patent. The patents were published in June 1982 with the same priority date in October 1978. The first appellant is the owner and the second appellant is the exclusive licensee of these patents. A third patent, No 2,078,033 (‘the Bodkin patent’), which related to a particular civil engineering structure, was found at the trial to be valid and infringed and is not in issue in this appeal.

1. Background

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2. The patents

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3. Construction

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The issues
The independent claims of the patents require the use of a starting material which is ‘substantially uniplanar’. Both parties accept that this is an essential integer of the invention, the respondents because they say that their products, which reproduce all the other features of the Mercer junction, were not made from substantially uniplanar starting materials and accordingly did not infringe; and the appellants because they say that Dr Mercer’s insight, and the inventive step comprised in the invention, consisted of the discovery that strong junctions made without an unnecessary waste of material required symmetry of orientation in the junctions, and that this in turn required the use of uniplanar, that is to say symmetric, starting materials.

The appellants accept that the respondents’ starting materials are not strictly uniplanar, but contend that they are substantially uniplanar. The dispute is concerned with the meaning of the word ‘substantially’ and its application in the context of each of the two patents. The appellants contend that the ambit of the word ‘substantially’ in the Uniax patent is not necessarily the same as in the Biax patent, so that a finished product made from a starting material which had been stretched once might infringe the Uniax patent even though, as an intermediate structure intended to be stretched a second time, it would not infringe the Biax patent. The judge rejected this contention.

Before the judge the parties also disagreed as to what is meant by the word ‘junction’ in the patents. The respondents submitted that the word denotes the whole of the knot or blob where the strands meet including the crotches. The appellants contended that it means that part of the knot or blob which is in the line of the strands excluding the crotches. The issue is important on infringement in relation to the requirement that the junctions should have a minimum thickness not less than 75% of the thickness of the mid-point of any of the strands passing into the junction. The judge ruled that the crotches form part of the junction, and the appellants now accept this. However, the judge gave the requirement a purposive construction, and after considering the evidence of the expert witnesses held that variants close to the 75% limitation in a minor part of the junction would not have a material effect on the way the invention worked, that this would have been obvious to the skilled addressee, and that such variants were not intended to be excluded from the monopoly. He also pointed out that a person skilled in the art would realise that the manufacturing process was one in which variations in thickness were inevitable, that the edges of the junctions could not be vertical, and that it was not contemplated that measurements should be taken at the extreme edge of the crotch. This conclusion has been accepted by the respondents before us, with the result that the only remaining dispute between the parties on the construction of the patent in suit is in regard to the meaning of the words ‘substantially uniplanar’.

Principles of construction
(a) Developments in the law
In construing the claims of the patents in suit the starting point is s 125 of the Patents Act 1977, which by s 130(7) is ‘so framed as to have, as nearly as
practicable, the same effects in the UK and the corresponding provisions of the European Patents Convention’. Section 125 provides:

(1) For the purposes of this Act an invention for a patent for which an application has been made or for which a patent has been granted shall, unless the context otherwise requires, be taken to be that specified in a claim of the specification of the application or patent, as the case may be, as interpreted by the description and any drawings contained in that specification, and the extent of the protection conferred by a patent or application for a patent shall be determined accordingly.

Section 125(1) provides that the Protocol on the Interpretation of Article 69 of the European Patent Convention shall apply for the purpose of s 125(1) as it applies for the purpose of Article 69. The protocol reads as follows:

Article 69 should not be interpreted in the sense that the extent of the protection given by a European Patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being used only to resolve an ambiguity found in the claims. Nor should it be interpreted in the sense that the claims serve only as a guideline and that the actual protection may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patentee has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

The English approach to the construction of a patent before 1977 was stated by Lord Diplock in *Catnic Components Ltd v Hill and Smith Ltd* [1982] RPC 183, 242–43 as follows:

My Lords, a patent specification is a unilateral statement by the patentee, in words of his own choosing, addressed to those likely to have a practical interest in the subject-matter of his invention (ie ‘skilled in the art’), by which he informs them what he claims to be the essential features of the new product or process for which the letters patent grant him a monopoly. It is those novel features only that he claims that he claims to be essential that constitute the so-called ‘pith and marrow’ of the claim. A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand that strict compliance with a particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect on the way the invention worked.

The question, of course, does not arise where the variant would in fact have a material effect on the way the invention worked. Nor does it arise unless at the date of publication of the specification it would be obvious to the informed reader that this was so. Where it is not obvious, in the light of
then existing knowledge, the reader is entitled to assume that the patentee thought at the time of the specification that he had good reason for limiting the monopoly so strictly and had intended to do so, even though subsequent work by him or others in the field of the invention might show the limitation to have been unnecessary. It is to be answered in the negative only when it would be apparent to any reader skilled in the art that a particular word or phrase used in a claim cannot have been intended by a patentee, who was also skilled in the art, to exclude minor variants which, to the knowledge of both him and the reader to whom the patent was addressed could have no material effect upon the way in which the invention worked.

Although the *Catnic* case was decided in 1980, the House of Lords was concerned with the law as it stood before the 1977 Act came into force. It has since been assumed in a number of cases in this court that the ‘purposive construction’ adopted by Lord Diplock is in accordance with the protocol and should govern the approach to patents under the new law. In *Southco Inc v Dzus Fastener Europe Ltd* [1992] RPC 299, CA Purchas LJ expressed his agreement with the view of Dillon LJ in *Improve Corporation v Remington Consumer Products Ltd* [1989] RPC 69 that Lord Diplock’s speech in *Catnic* indicated the same approach to construction as that required by the protocol. The two other members of the court did not find it necessary to express any opinion on the point.

Dillon LJ’s observation was made at the interlocutory stage of the action. At the trial ... [1990] FSR 181 Hoffman J regarded it as binding upon him, and adopted the approach indicated by Lord Diplock. He analysed that approach as requiring the court to ask itself three questions (‘the three *Catnic* questions’):

1. Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –

2. Would this have been obvious at the date of publication of the patent to a reader skilled in the art? If no, the variant is outside the claim. If yes –

3. Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention? If yes, the variant is outside the claim.

Hoffman J continued as follows:

It is worth noticing that Lord Diplock’s first two questions, although they cannot sensibly be answered without reference to the patent, do not primarily involve questions of construction: whether the variant would make a significant difference to the way the invention worked and whether this would have been obvious to the skilled reader are questions of fact. The answers are used to provide the factual background against which the specification must be construed. It is the third question which raises the question of construction and Lord Diplock’s formulation makes it clear that on this question the answers to the first two questions are not conclusive. Even a purposive construction of the language of the patent may lead to the conclusion that although the variant made no material difference and this would have been obvious at the time, the patentee for
some reason was confining his claim to the primary meaning and excluding the variant. If this were not the case, there would be no point in asking the third question at all.

In the result the patent in suit was held not to be infringed, although in similar litigation elsewhere in Europe concerned with the same patent and the same disputed device the patent was universally held to be infringed. When the case came before the German Oberlandesgericht the conclusion reached by the English court was expressly rejected, the court commenting that its finding was probably the result of adopting the approach to construction laid down by the Catnic decision which was prior to the European Patent Convention.

In those circumstances the appellants invited us to hold that the English law of infringement has been radically changed by the 1977 Act, which was passed in implementation of a convention entered into for the express purpose of ensuring uniformity of approach to the construction of patents issued by the European Patent Office. Thenceforth, the appellants submitted, what may conveniently be described as ‘the third Catnic question’ (although it is to be noted that in Lord Diplock’s original formulation it was the only Catnic question) no longer forms any part of the English law of infringement. It has, they submitted, been replaced by a doctrine of ‘functional equivalence’ under which, save in special circumstances or to prevent a defence of anticipation, favourable answers to the first two Catnic questions should be conclusive in favour of the patentee.

We are unable to accept this submission, at least in its most extreme form, for two reasons. In the first place, as Hoffman J pointed out, the so-called third Catnic question is the only one which raises a question of construction. In our judgment its elimination without the substitution of some other question would fly in the face of Article 69, the protocol and s 125(1), which make the language of the claim determinative of its scope. In the second place, the German courts at least have repeatedly stated that functional equivalence is not conclusive, and that the scope of the claim must be determined by its wording. In the German Improver case (Improver Corporation and Sicommerce AG v Remington Products Inc [1993] IIC 838) the Oberlandesgericht stated:

> When evaluating the scope of protection of claim 1 of the patent in suit, however, the argument cannot be limited to identity of effect only ... For the purpose of fairly delimiting the actual improvement of the field of technical knowledge achieved by an inventor on the basis of Article 69(1) EPC and the protocol on Interpretation, the protected invention will only be considered to be used if a person skilled in the art, on the basis of reflections progressing from the meaning of the patent claims, ie the invention described therein, could find out, with the help of his professional knowledge at the priority date, the modified means used with the disputed embodiment as a means being identical in effect for solving the problem underlying the invention (emphasis added).

In the Ion Analysis case [1992] IIC 249 in 1988 the Düsseldorf Oberlandesgericht stated:

> In examining a patent infringement, it must first of all be established in the basis of the understanding of a person skilled in the art, what is the content
of the claims, *ie the meaning which a person skilled in the art would give to the wording of the claim ...* This means that merely establishing that an effect is the same is not sufficient to justify the conclusion that the invention which has been granted protection in the patent at issue has been used ...

This means that the Court of Appeal has merely established that the two apparatuses achieve the same effect and coincide in a ‘decisive idea’. *That is not sufficient to justify the conclusion that the patent has been infringed.*

What is decisive is whether the person skilled in the art, *by studying the invention described in the patent claims*, was able to discover the altered means used in the device attacked ... (emphasis added).

And in the *Heavy Metal Oxidation Catalysts* case GRUR (1989) 3, 205 in 1988 the same court stated:

... the content of the claims to be determined by interpretation is not just the starting point but the key criterion for determining the extent of protection conferred. As regards the utilisation of the patent by equivalent means, the crucial point is whether these means will come to the person of ordinary skill in the art from his technical knowledge and recourse [to] the description and the drawings on the basis of the considerations which are guided by the text of the claims. The interpreted meaning of the claims is the starting point for examining whether or not a person of ordinary skill in the art was capable of finding the modified means used in the impugned embodiment on the basis of his technical knowledge as providing an equivalent solution to the problem underlying the invention. *Widening the scope of protection to include a process which a person skilled in the art can find in the patent description on the strength of his technical knowledge but which is not reflected in the text of the claims is not compatible with the maxim of clarity in law* (emphasis added).

In the *Handle Cord for Battery* case [1991] IIC 104, GRUR (1989) 72, 903 in 1989 the Bundesgerichtshof (Federal Supreme Court) stated:

Use of the invention may also exist in cases where the embodiment to be judged deviates from the meaning of the content of the patent claims but where the person skilled in the art, based on ideas deriving from the meaning of the content of the invention defined in the claims, was able, due to his technical expertise, to identify the modified means employed in the challenged embodiment as being equally effective in the solution of the problem underlying the invention ... *The determination of the scope of protection of a patent under the new Act requires that the meaning of the content of the patent claims, to be determined by interpretation, constitutes not only a point of departure but the decisive basis for the determination of the scope of protection. This must be based on the patent claims ...*

The fact that the challenged embodiment deviated from the wording of the claim ... does not preclude the inclusion of the challenged embodiment into the scope of the patent at issue from the point of view of equivalency. However, what is missing is the observation that the average person skilled in the art would have been able to discover the embodiment deviating from the wording and the literal sense of the patent claim by proceeding from the invention as it is defined in the patent claim.
In applying the protocol, therefore, the German courts, no less than ours, insist that the scope of a patent must be determined by its language; and, while the scope of protection goes beyond the literal content of the claim to cover functional equivalents, it does not go beyond functional equivalents which are deducible from the wording of the claim. In determining the extent of protection, they ask whether the variant embodied in the disputed device is one which is deducible by a person skilled in the art from the wording and drawings of the claim. This appears to us to be not quite the third Catnic question, but to be arguably more in conformity with the requirements of the protocol that the wording of the patent should be construed so as to afford a fair amount of protection for the patentee.

(b) The correct approach in the light of the protocol

In the present case the expression to be construed is ‘substantially uniplanar’. The word ‘substantially’ imports a degree of flexibility which precludes an exact and literal construction, and makes it unnecessary to consider whether Lord Diplock’s purposive construction was an accurate if proleptic application of the protocol. It clearly went at least part of the way to the European position by stretching the claims to cover minor variants which obviously have no material effect on the way the invention works. It does not, however, appear to us to be useful to consider whether it went further and may be taken as indication of the proper approach to the protocol. Such an exercise merely engenders a sterile debate on the precise meaning of Lord Diplock’s words, a matter which should now be left to legal historians. Lord Diplock was expounding the common law [approach] to the construction of a patent. This has been replaced by the approach laid down in the protocol. If the two approaches are the same, reference to Lord Diplock’s formulation is unnecessary, while if they are different it is dangerous. In the future, it is to be hoped that attention will be concentrated on the requirements of the protocol and the developing European jurisprudence and not on those of the common law before 1977.

‘Substantially uniplanar’

The judge held that whether or not a material is substantially uniplanar is a question of judgment, but that the departure from uniplanarity must be insubstantial. This, with respect, is clearly right: the patent says as much. He said:

Uniplanarity is a physical characteristic which should be judged by the eye. However, the skilled addressee, when deciding whether or not a departure from uniplanarity was insubstantial, would judge both the size of the departure and its quality. For example, a blemish at the edge of a sheet of starting material could be an insubstantial departure but, if present in the middle of the sheet, would be a substantial departure.

What is or is not substantial is a matter of degree and the skilled addressee would understand that many types of starting materials could be used. However, the sort of departures that the patentee considered were insubstantial were those that occurred during the production of flat sheets and the making of holes by punching, embossing and the like ... Clearly,
the preferred starting material would be a flat sheet made strictly uniplanar.

Subject to one point to which we shall return, we agree with these conclusions. The appellants submitted that, in relation to the Biax patent (they adopted a slightly different formulation in relation to the Uniax patent):

A starting material is ‘substantially uniplanar’ if its symmetry about its median plane is sufficient to cause the patterns of orientation in the junctions of the [stretched] product to be substantially symmetrical about the median plane.

We reject this submission for two reasons. In the first place, symmetry of orientation is nowhere mentioned in the patent. All the integers of the patent, whether of the starting material or of the finished product, are concerned with geometric configuration. In the second place, even if the reference to the patterns of orientation is replaced by a reference to the geometric configuration of the finished product, the definition is circular. The skilled addressee would clearly understand that the degree of uniplanarity in the starting material would dictate the degree of uniplanarity in the finished product. The appellants therefore answer his question: ‘How great a departure from uniplanarity may be tolerated in the starting material?’ by saying: ‘That depends on the degree of uniplanarity which you are looking for in the finished product.’

The one qualification which we would make to the judge’s observations is that, in considering the quality of a departure from strict uniplanarity in the starting material, the skilled addressee would apply a functional test. He would appreciate that the patentee had stipulated for a uniplanar starting material because he wanted to stretch it to form a uniplanar product. As Mr Lloyd, the appellants’ expert, said:

A departure from uniplanarity is substantial if it has a significant effect on the behaviour of the material [during the stretching operation].

In our view, therefore, not only would the skilled addressee regard a departure from uniplanarity at the edge of a sheet as insubstantial, but so too would he regard a departure from uniplanarity which occurred in a part of the starting material which it was not intended to stretch. He would regard such a departure as immaterial and one which could be disregarded.

However, Aldous J – the Patents Court judge at that time – was not easily defeated. Having been overturned by the Court of Appeal there, he returned to the fray a few weeks later in Assidomän Multipack Ltd v The Mead Corporation [1995] FSR 225:

[235] I had not thought that the courts in Germany asked ‘whether the variant embodied in the disputed device is one which is deducible by persons skilled in the art from the wording and drawings of the claim’. In any case, it is difficult to understand how such a test could be more in conformity with the requirements of the protocol than ‘purposive’ construction, particularly as to conclude that one approach to construction is more in conformity with the protocol than another must depend upon a comparison to decide whether the
approaches result in fairer protection to the patentee and whether they sacrifice the required certainty for third parties. Clearly the fact that this court came to a different conclusion in the *Improve*r case to the courts in Germany weighed heavily on the minds of the Court of Appeal, but that difference in conclusion does not necessarily suggest that the approach to construction adopted by this court did not coincide with the protocol and was not essentially the same as that required by German law. I expect that the factual matrix before the English court was very different to that before the German court as was inevitable from the difference in procedures between the two courts. Further the conclusion in one of the courts could have been wrong, even though the principles of law applied were right. In any case some differences in outcome are likely to arise because of the terms of Article 69, the difference in meaning of the three official texts and the terms of the protocol.

Perhaps the most eminent patent judge in Germany in recent times has been Dr K Bruchhausen. In a paper published in 1983 in *Patent Claim Drafting and Interpretation* by Kemp, he compared the law of construction in Germany with the principles that he thought had been enunciated by Lord Diplock in the *Catnic* case. He concluded that the *Catnic* case would have been decided in the same way in Germany. He went on:

> Lord Diplock propounds several rules for the application of his new method:

> **First:** the relevant factor is the knowledge of the reader at the time of publication of the patent.

> **Second:** in cases where a deviation from a word or sentence in the patent claim is of essential significance to the realisation or mode of operation of the invention, the deviation should not fall within the protection of the patent.

> **Third:** in cases where it is obvious to the reader that the patent is intended to encompass deviations which are inessential to the realisation or mode of operation of the invention, such deviations fall under the protection of the patent.

> The fourth rule is very interesting. In cases, where it is not clear, to a reader having the relevant knowledge, whether a word or a sentence in the claim is or is not intended to be restrictive. In such a case of insufficient clarity, Lord Diplock considers the reader to be entitled to assume that the patent proprietor had grounds, at the time of wording the claim, for delimiting the protection so narrowly that he intended to do so, even though later knowledge has shown that the restriction would not have been necessary.

Dr Bruchhausen seemed to accept that the first three rules were consistent with the law applied in Germany and his only criticism concerned the fourth rule which he believed was contrary to the German law prior to 1977 and was not in accordance with the protocol. What is interesting is that the fourth rule, to which Dr Bruchhausen referred, has not formed part of the way the courts in

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9 Oyez, Longman.
this country have applied ‘purposive’ construction under the 1977 Act. The courts have considered what would have been understood by the skilled reader from the specification and the claims. No case of insufficient clarity has occurred. The court does not approach the task of construction upon the basis of a presumption that a patentee intended or did not intend to claim or exclude a variant. The court’s task is to construe the document and decide what would be apparent to the skilled reader. If that be right, then I believe that ‘purposive’ construction is a means of navigating between Scylla, the rock of literal construction and Charybdis, the whirlpool of guided freedom, as required by the protocol and enables the court to arrive at a similar result to German courts provided the facts and submissions are the same.

In the paragraph headed The correct approach in the light of the protocol the Court of Appeal are, I believe, making it clear that their observations on the applicability of ‘purposive’ construction under the 1977 Act are obiter. For myself, I would be loath to discard 14 years of case law unless it is certain that ‘purposive’ construction is not the correct approach under the Act. If it be right that ‘purposive’ construction should be left to legal historians, then it is necessary to put forward another means of navigation to enable the court to steer the correct course between Scylla and Charybdis. The middle ground referred to in the protocol is not clearly defined and every court within the Community has adopted a method of interpretation which it believes to be consistent with the protocol. Recourse can be made to jurisprudence of other signatories to the convention, but that requires analysis and rationalisation of the views of judges from many countries, not only Germany, but also such countries as France, Holland, Denmark and Sweden. There is no European position except that set out in the protocol.

The Court of Appeal in the PLG case has made it necessary to decide whether this court is bound to follow the guidance given by Lord Diplock in the Catnic case. Having reviewed the authorities in the Court of Appeal, I conclude that the correct approach to construction under the Patents Act 1977 is ‘purposive’ construction and I believe that this court is bound to follow the guidance given by Lord Diplock as developed in the cases to which I have referred. Further I have been unable to think of any better guidance which hopefully will result in consistent decisions between the courts of this country and those of other parties to the convention. I suspect that the Court of Appeal in the PLG case ultimately came to the same conclusion in that when they came to decide whether the old and new LBO products infringed, they concluded that there was no infringement even though the starting material might have been functionally equivalent to a uniplanar material because that ‘would not have been obvious to the skilled man and could not be deduced from the language of the patents in suit’.

So it seemed that the old Catnic and Improver tests were still valid. But a final twist came in Kastner v Rizla, a Court of Appeal decision given by Lord Justice Aldous as he now is:

On 14 March 1991, the appellant, Mr Arnold Kastner, started proceedings in the Patents County Court for infringement of Patent Number 2,065,080 against
Rizla Ltd and Chilham Engineering Ltd. That patent relates to an invention entitled ‘Apparatus for paper interleaving and severing’ and the allegation was that the second defendant had made such an apparatus and the first defendant had used it to produce packs of cigarette papers used by smokers who rolled their own cigarettes.

In the pleadings the acts of alleged infringement were admitted, but the respondents denied infringement and alleged that the patent was invalid upon a number of grounds. At the trial the only ground relied on was that the patent was obvious having regard to a German patent, no 42,770 of 1926, which I will refer to as Munchen.

The action came on for hearing before His Honour Judge Ford on 15 December 1993. In his judgment of 18 January 1994, he held that the patent had not been infringed, but that the attack on its validity failed. He therefore ordered that the action and the counterclaim be dismissed. Against that order the appellant gave notice of appeal contending that the judge had wrongly held that there had been no infringement. A respondents’ notice was given in which it was contended that if the machine alleged to infringe fell within the ambit of any claim of the patent, then the patent was invalid as it was obvious in view of the disclosure in Munchen. Thus two issues are raised on this appeal:

1. Does the machine alleged to infringe fall within the ambit of the patent? I will refer to that as the infringement issue.
2. If there be infringement, is the patent invalid as being obvious having regard to the disclosure in Munchen?

The patent

The patent claims priority from a Canadian application dated 6 December, 1979. It was filed on 2 December 1980 and therefore will continue until December 2000.

The specification starts by stating that the invention relates to apparatus for interleaving paper strips and in particular to the interleaving of flat cigarette papers which are packaged and sold in small booklets. The specification continues by describing in general terms the known machines which interleaved pre-cut lengths of paper using star wheels and states that they have major disadvantages. Four are mentioned. First that such machines are wasteful of paper; second unsatisfactory packages result; third that for satisfactory functioning of such machines the moisture content of the paper has to be carefully controlled and fourth they have a low production rate.

The specification then states:

The present apparatus avoids the difficulties inherent in the prior art devices, and enables higher productivity with little or no waste at all.

The present invention also avoids the problems of prior art devices by interleaving continuous separate lengths of cigarette paper coming from individual supply rolls prior to the severing of the interleaved paper lengths into individual stacks of packets of the desired length. At all times during the production of interleaved packets according to the applicant’s process and apparatus the cigarette paper is held in a positive manner and as a result the successful operation of the present invention is not
dependent on the moisture content of the paper itself or on the humidity or atmosphere conditions surrounding the apparatus when in use.

The present object of the present invention is to provide a process and apparatus for holding and interleaving continuous moving endless strips of paper and cutting the interleaved strips into packets of desired lengths, and which avoid the problems and difficulties inherent in the prior art devices and provide a high rate of productivity with a minimum of waste.

It should be noted that the apparatus of the invention is said to avoid the difficulties which are inherent in the prior art devices, namely those difficulties to which I have referred. That is said to be achieved by interleaving continuous separate lengths of cigarette paper from individual rolls prior to severing taking place and holding the paper in a positive manner. Thus the object of the invention is to provide a process and apparatus which folds and interleaves continuous moving endless strips of paper and then cuts the interleaved strips into stacks of desired length and at the same time avoids the disadvantages of the prior art. It is important to note that the way that the cut strands of the interleaved paper are stacked is not mentioned as being a problem associated with known machines nor does it form part of the stated invention even though appropriate means to achieve stacking are included in the description of the specific embodiment.

Before describing the specific embodiment, the specification states that the invention can be considered to be consisting of two major assemblies, the first being that which interleaves and the second that which severs the strips into stacks. The first assembly is then described. Two rollers, each supporting rolls of cigarette papers, are mounted so that continuous lengths of cigarette paper are drawn off at a constant speed by drive rolls. Those papers are drawn through three sets of formers with the result that by the time they meet the drive rollers, the paper strips are interleaved and folded into V-formation. Thus at the drive rolls the papers have converged to form compressed strands of interleaved papers. Thereafter the strands pass to a severing assembly marked (4) in fig 1.

The severing assembly is mounted on a platform which can move up and down parallel to the direction that the strands are moving. It carries a knife plate. Upon that plate is mounted the knife which severs the paper into lengths suitable to be used as cigarette papers. The plate is mounted so as to be capable of moving towards and away from the strands under the action of double acting pneumatic cylinders. Thus cutting is achieved by the knife being pushed against and through the paper strands by the action of the cylinders acting on the knife plate, whilst at the same time it travels parallel to the strands and at the same speed. That latter movement was referred to in the evidence as incorporating the ‘equal velocity’ principle. After the strands have been severed into suitable lengths, the knife and its associated plate are retracted and then move back parallel to the oncoming strands to a position where the cycle can be repeated.

After cutting, the cut lengths of interleaved papers are pushed sideways by a pusher plate which is also mounted on the knife plate. As each batch of cut papers is moved sideways it is held by retaining arms so as to form a stack of interleaved papers which will be used to produce packs of the cigarette papers.
Claim 1 of the patent, which is the only claim that need be considered, is a claim to an apparatus for folding and interleaving continuously moving strips of paper and cutting the interleaved strips into packets of interleaved paper sheets comprising features which for convenience can be split up as follows:

A. A plurality of rotatably mounted supply rolls of paper strip for continuously supplying strips of paper;
B. A series of formers and interleavers positioned sequentially outwardly from the supply rolls to fold and interleave the strips of paper;
C. Drive means for continuously drawing strips of paper from the supply rolls and through the formers and interleavers to form a strand of interleaved paper strips;
D. A knife for cutting the strand of interleaved paper strips into interleaved packets of paper sheets of pre-determined length;
E. The knife being mounted on a movable knife plate carried by a platform;
F. Means to reciprocally move the platform in a direction parallel to the direction of travel of the strand of interleaved paper strips a distance equal to the determined length of the packets;
G. Means carried by the platform to reciprocally move the knife plate in a direction normal to the reciprocal movement of the platform;
H. The knife plate advancing and the knife severing a packet from the strand during movement of the platform in the same direction and at the same speed as the moving strand; and
I. A pusher plate carried by and movable with the knife plate to displace a severed packet laterally with respect to the direction of travel of the strand.

The respondents' machine

Sensibly the parties produced an agreed description which the judge used to produce a short summary of the main features of the machine which I adopt.

4.1 The machines which are alleged to infringe the plaintiff's patent each consist essentially of a main frame carrying a paper-feed system, an interleaving system, a cutting mechanism, an ejecting mechanism and a drive system.

4.1.1 In the paper-feed system, 50 continuous strips of paper and one strip of thin card are drawn from an array of 51 coils. The strips are folded, interleaved and fed in the form of a compressed flat strand to the cutting mechanism. The forward movement of the strand is at constant speed.

4.1.2 The cutting mechanism employs a reciprocating carriage, which operates on the 'equal velocity' principle. The knife is a wheel to which a crescent-shaped blade is clamped. The major component of motion of the blade is parallel to the interfaces between the strips in the strand but the cutting edge has a transverse (or radial) component of motion, which compresses the strand as the cutting edge cuts. The axis of the knife is a fixed distance from the strand.

4.1.3 The cut blocks are ejected sideways immediately after cutting by a thrust plate carried by an ejector bar. When the carriage of the cutting
mechanism is on its longitudinal forward stroke the ejector bar is in a retracted position. As the carriage begins its return stroke, the ejector bar moves forward. When ejection is completed, the ejector returns with an ‘up and over’ movement so as to pass over the path of the advancing paper strand.

4.1.4 The drive system drives a hexagonal section cutter drive shaft, an extension of which also imparts, when it rotates, through cams, a back and forth and a rise and fall motion to the ejecting system.

From that description it is clear that the respondents’ machine is of similar type to that described in the specific embodiment in the patent, but with two differences. First the knife is a crescent-shaped rotary blade instead of a reciprocating knife as described in the patent. Second the cut stacks are moved by a pusher plate operating with an up and over action rather than, as described in the patent, a pusher plate which moves with the knife in both directions. Thus the respondents accept that their machine has features A–F and H of claim 1 and the dispute on infringement concerns features G and I.

Infringement

As this patent was filed in 1980 it is subject to the Patents Act 1977. For the first time that Act defined infringement. Section 60 of that Act states that:

... a person infringes a patent for an invention if, but only if, while the patent is in force, he does any of the following acts in the UK in relation to the invention without the consent of the proprietor of the patent.

The scope of the invention has to be determined in accordance with s 125 of the Act which requires that the claims must be interpreted according to the Protocol on the Interpretation of Art 69 of the EPC. It is in this form:

Article 69 shall not be interpreted in the sense that the extent of the protection conferred by a European patent is to be understood as that defined by the strict, literal meaning of the wording used in the claims, the description and drawings being employed only for the purpose of resolving an ambiguity if found in the claims. Neither should it be interpreted in the sense that the claims serve only as a guideline and that the actual protection may extend to what, from a consideration of the description and drawings by a person skilled in the art, the patentee has contemplated. On the contrary, it is to be interpreted as defining a position between these extremes which combines a fair protection for the patentee with a reasonable degree of certainty for third parties.

After the 1977 Act came into force, the ambit of the invention claimed was ascertained by the courts using ‘purposive’ construction as explained by Lord Diplock in Catnic Components Ltd v Hill and Smith [1981] FSR 60, [1982] RPC 183 and subsequently using the guidance given by Hoffmann J in Improver Corporation v Remington Consumer Products Ltd [1990] FSR 181. However in PLG Research v Ardon International Ltd [1995] FSR 116, the Court of Appeal suggested that that approach to construction might not accord with the protocol, but they did not feel it was necessary to come to any concluded view on the matter. Having regard to the view expressed in PLG Research, I had in Assidomän Multipack Ltd v The Mead Corporation [1995] FSR 225 to reconsider
whether, what can be called the Catnic approach, was the correct way to ascertain what was the appropriate ambit of a patent claim. In Assidomán, I looked at the historical background to the way that inventions had been described and claimed in patents and considered the protocol. I concluded that the Catnic approach was that which the 1977 Act contemplated as correct and, in any case, that was binding until the House of Lords said to the contrary.

Mr Thorley QC who appeared for the appellant, was prepared to accept that the Catnic approach was the correct one to adopt. However he submitted that his clients’ case on infringement could be tested using the Catnic approach and that tentatively suggested in PLG Research. If so, this court should conclude that there was infringement if one of them was satisfied.

Mr Floyd QC who appeared on behalf of the respondents, submitted that the observations made by the Court of Appeal in PLG Research as to the correct approach to construction of claims was not made obiter. He accepted that prior to PLG Research the Court of Appeal had on a number of occasions used the guidance in Catnic, but he submitted that the most recent pronouncement by the Court of Appeal of the way to construe a patent claim was set out in PLG Research and therefore that was binding upon this court. Mr Floyd went on to draw our attention to this passage of the Court of Appeal judgment in PLG Research at p 132:

In determining the extent of protection, they (the German courts) asked whether the variant embodied in the disputed device is one which is deducible by a person skilled in the art from the wording and drawings of the claims. This appears to us to be not quite the same as the third Catnic question, but to be arguably more in conformity with the requirement of the protocol that the wording of the patent should be construed so as to afford a fair measure of protection for the patentee.

Mr Floyd accepted that the Court of Appeal had not accurately expressed the way that the German courts approached construction of claims, but submitted that the Court of Appeal had intended to say that the extent of the protection was determined in Germany by asking whether the variant was deducible from the words of the claims read in the light of the specification and drawings. That he submitted was the conclusion of the Court of Appeal in that case and therefore was the approach to be adopted in this case.

I have not been persuaded by the submissions of Mr Floyd that the views I expressed in Assidomán were wrong. I adhere to the view expressed in that case that the Court of Appeal in PLG Research did not decide that the Catnic test was not appropriate as they found it was unnecessary for them to come to a conclusion on that matter. That being so, their expressed opinion was obiter. I also believe that this court is bound to apply the Catnic test when considering the ambit of a patent claim under the 1977 Act. I am encouraged in that view by the observations of Jacob J in Beloit Technologies v Valmet Paper Machinery Inc (not yet reported).

It is not appropriate in this judgment to set out again what I said in Assidoman at pp 228–37. It is sufficient to record that a patent specification must be construed as a whole and the claims must be given a ‘purposive’ construction. However I believe that it is useful to recall the well-known passage of Lord
Diplock in *Catnic* and the guidance given by Hoffmann J in the *Improver* case.

Lord Diplock said in *Catnic*, p 242:

My Lords the patent specification is a unilateral statement by the patentee, in words of his own choosing, addressed to those skilled likely to have practical interest in the subject-matter of his invention (ie ‘skilled in the art’) by which he informs them of what he claims to be the essential features of the new product or process for which the letters patent grant him a monopoly. It is those novel features only that he claims to be essential to constitute the so-called ‘pith and marrow’ of the claim. A patent specification should be given a purposive construction rather than a purely literal one derived from applying to it the kind of meticulous verbal analysis in which lawyers are too often tempted by their training to indulge. The question in each case is: whether persons with practical knowledge and experience of the kind of work in which the invention was intended to be used, would understand strict compliance with the particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked.

Hoffmann J in the *Improver* case adopted the guidance given by Lord Diplock and suggested at p 189 that the court should ask the following three questions, which can conveniently be referred to as the ‘Improver questions’:

1. Does the variant have a material effect upon the way the invention works? If yes, the variant is outside the claim. If no –
2. Would this (ie that the variant had no material effect) have been obvious at the date of publication of the patent to a reader skilled in the art. If no, the variant is outside the claim. If yes –
3. Would the reader skilled in the art nevertheless have understood from the language of the claim that the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention. If yes, the variant is outside the claim.

On the other hand, a negative answer to the last question would lead to the conclusion that the patentee was intending the word or phrase to have not a literal but a figurative meaning (the figure being a form of synecdoche or metonymy) denoting a part of things which include the variant and the literal meaning, the latter being perhaps the most perfect, best known or striking example of the class.

Mr Thorley submitted that the scope of a claim should be ascertained without reference to the prior art or the alleged infringement in that its ambit must be the same whatever case is pleaded against the patent. Of course he is right, but the *Catnic* test requires the court to see whether a variant is excluded from the ambit. Thus in practice the court has to have in mind the context in which the dispute arises. He also submitted that the court must avoid an over-rigid application of the third of the *Improver* questions as that would lean away from the middle course to which the protocol directs, thereby resulting in unfairness to the patentee. No doubt he is right that an over-rigid application to the
question is not appropriate. The court’s task is, in the words of Lord Diplock, to ascertain whether the skilled man ‘would understand strict compliance with the particular descriptive word or phrase appearing in a claim was intended by the patentee to be an essential requirement of the invention so that any variant would fall outside the monopoly claimed, even though it could have no material effect upon the way the invention worked’.

The judge held that there were two variants that needed to be considered, ‘namely the provision of a rotary knife with a crescent-shaped blade which is not moved on its axis towards and away from the strand to be cut and the provision of a drive for the pusher which is neither carried by nor movable with the knife support’.

The appellant accepted that there was one variant, namely that the pusher plate, which acted on the cut strands, was not carried by the knife plate as required by feature I. However the appellant submitted that feature G was satisfied in that the language of the claim did not require the reciprocating blade to move laterally across the strands as described in the specific embodiment in the patent. It was said that feature G only required lateral and parallel movement to be present and that functionally the strands should be severed so as to produce a cut normal to the moving strand.

It is important to remember that I have split the claim up into features A–I for convenience and therefore it is artificial to look at each feature separately to decide whether it contains a variant excluded from the ambit of the claim. However, I must consider the alleged differences between the respondents’ machine and the claim and when doing so it is convenient to use the features of the claim I have referred to.

In my view features D–H must be read together as they relate to the way that the strand is severed. Those features require three parts, a knife, a plate and a platform with the knife mounted on the plate which is carried by the platform. There must also be a fourth element, namely some means to move the platform parallel to the strands so that cutting by movement towards the strands takes place whilst using the equal velocity principle. To achieve cutting, some means must move the plate normal to the strands.

The knife assembly of the respondents’ machine is illustrated in detail in figures 5 and 7 of the agreed description. The whole assembly is mounted on a carriage which slides parallel to the strands along bearing rods (72) so as to enable it to operate on the equal velocity principle. The crescent-shaped blade (157) is mounted on a wheel body with a shaft mounted in plates (27 and 28). The knife rotates about an axis which is a fixed distance from the path of the strand (20), but as the blade is crescent-shaped, it will, on rotation in an anti-clockwise direction, sever the strands and then move clear of the advancing strands. As I have already said, the major component of motion of the blade is tangential, but it is agreed that the cutting edge also has a transverse component of motion.

The only witness called was the appellant’s expert M Michel Dugast. He had been concerned with developing cigarette filters and booklets of cigarette papers as well as machines for making them between 1976 and 1989. In para 20 of his witness statement, he identified the wheel body (156) and clamping disc
as the knife plate which he rightly said was carried by the carriage (25) which was a platform. He went on in para 21 to point out that the platform moved parallel to the strands as required by feature F. In para 22 he said:

22. The next feature, G, is that means must be provided ‘to reciprocally move the knife plate in a direction normal to the platform’. I understand this feature to mean that the knife plate moves in a cycle from a cutting position to a position away from the strand and back again. Most of the knife plate in the Rizla machine, ie the body 156, nut 159 and disc 158 are present to help balance the parts as they rotate. One could clearly cut away much of the body and disc and still have an operative machine. During the rotation, the knife plate rotates about the axle and thus as the knife blade rotates about the axle the supported position of the knife on the knife plate moves towards and away from the strand as shown in the diagram. There then follows a number of figures which show how the edge of the knife moves to cut the strand. He then went on:

A rotary knife has long been a well-known alternative to a simple reciprocating blade: I discuss this later, but, anyone who has sliced vegetables with a kitchen food processor will appreciate why. Therefore in my opinion feature G is present.

It is not in dispute that a rotary knife has long been a well-known alternative to a simple reciprocating blade. M Dugast, in the paragraph that I have quoted, emphasised that the knife edge in the respondents’ machine moved towards and away from the strands. Thus if the edge of the blade is considered, it moves parallel to the strands and, although its cutting action is by rotation, there is a component of a movement in the direction normal to the reciprocating movement of the platform. Thus by using a crescent-shaped blade the necessary lateral movement of the edge of the blade to provide cutting is achieved and it becomes unnecessary for the knife plate to move in two distinct directions.

Mr Thorley submitted that M Dugast was correct to consider only the part of the knife plate which supported the blade and, if so, to conclude that it had a component of movement normal to the movement of the platform during rotation. Mr Floyd submitted that that was an artificial way to view a plate which rotated. It, he submitted, did not move in a direction normal to the movement of the platform.

As a matter of language, Mr Floyd’s conclusion is right. However features D to H must be construed purposively through the eyes of a skilled man. Crescent-shaped rotary knives were well known to achieve cutting without the need of being mounted to move towards and away from the material to be cut. Thus the movement required by feature G was achieved by the crescent-shaped blade mounted on its associated rotary knife plate. As the judge said, ‘Per se, that variant would have no material effect upon the severing operation’. That would have been obvious to the skilled man who on reading the specification would not believe that the arrangement adopted by the respondents was other than an obvious mechanical equivalent which was not meant to be excluded from the claim. Put shortly, the purpose of features D–H is to achieve cutting of the interleaved strands using the equal velocity principle. Thus construing
feature D purposively in context, I do not believe that the difference between the wording of the patent and the respondents’ machine in this respect is such as to avoid infringement.

The appellant accepts that there is a difference between the respondents’ machine and feature I in that their pusher plate is not mounted on the knife plate and is therefore not movable with it. That of course is evident as the respondents use a rotating knife, but the consequence is important. The claim requires that the knife plate, which carries the pusher plate, moves parallel to the strand and therefore the pusher plate which moves with the knife plate will also operate on the equal velocity principle. In the respondents’ machine, the pusher plate does not move parallel to the direction of movement of the strands. It is stationary and just pushes sideways at the appropriate time. Thus the respondents’ machine varies from the claim. The variant can, I believe, be fairly described as the use of a pusher plate which does not operate with the knife according to the equal velocity principle. I must therefore decide whether the skilled man would believe that such a variant was excluded from the claim and in so doing I believe it appropriate to use the Improver questions.

1. Does the variant have a material effect upon the way the invention works?

Mr Dugast said in his witness statement that the respondents’ pusher plate moved the knife in the sense that it moved in synchronism. He accepted that it was not carried on the knife plate. He went on in para 26 to say:

The first question is: does the fact that the pusher is not directly carried by the knife plate have any real effect upon the way the machine works? In my opinion it does not. The rotary knife performs the same cutting operation. The function of the pusher plate is to push complete cut packets laterally away from the path of travel of the continuously moving strand in synchronism with the movement of the knife and the movement of the strand. This happens in the Rizla machine as it does in Mr Kastner’s.

He was cross-examined and accepted that, because the pusher plate was not mounted on the knife plate, the respondents’ pusher plate needed to operate with an up-and-over action to avoid fouling the oncoming strands and was quite a complex arrangement compared with the specific embodiment described in the patent. The respondents submitted that the difference meant that the pusher plate did not operate using the equal velocity principle. That is true. They went on to submit that that difference had a material effect upon the way the invention worked because it required another design of pusher to avoid fouling the oncoming strands.

The appellant accepted that the effect of the variant was as submitted by the respondents, but submitted that there was no material effect upon the way the invention worked. The sole purpose of the pusher plate was to push complete packets of cut strands laterally and that the variant did, albeit in a different way.

Although the first two Improver questions require findings of fact, they cannot be answered without recourse to the patent. For example, the invention being considered in Catnic was a lintel and the variant was a 6° angle from the vertical of a load bearing limb. That had no material effect...
upon the invention in that the 6 angle made no material difference to the lintel as a load-bearing structure. Thus in that case it was important to look at the specification to see what was the invention.

In the present case, I believe that the invention is broadly described in the title of the patent – 'Apparatus for paper interleaving and severing'. That is amplified by the opening words of claim 1: ‘Apparatus for folding and interleaving continuous moving strips of paper and cutting the interleaved strips into packets of interleaved paper sheets comprising ...’. If that be the invention then there is no evidence that the variant has any material effect on the way that it works. That was the evidence of M Dugast, the only witness called. The variant is mechanically different, but produces the same effect which is the effect required by feature G, namely displacement of severed packets laterally with respect to the direction of travel of the strand. I believe that the appellant is right that the purpose of the pusher plate is to push complete packets of strands laterally and that the variant does just that and has no material effect upon the way that the apparatus works in that respect. I therefore conclude that the first question should be answered in the negative.

2. Would the fact that the variant had no material effect have been obvious at the date of publication of the patent to a reader skilled in the art?

Mr Dugast said in para 27 of his witness statement that he had been asked to say whether it would have been obvious to him in 1979 that the fact that the pusher was not directly carried by the knife plate would not have any real effect on the way the machine worked. He said:

The answer is that it would be obvious to me that it would not have any such effect. Rotary reciprocating knives are well known for example in the tissue paper converting field and in the manufacture of cigarettes and cigarette filter rods. It would have been obvious to me in 1979 to use a rotary reciprocating knife in place of a simple linear reciprocating one since I would expect it to cut a strand adequately. The Rizla machine has such a rotary reciprocating knife and it would have been clear to me in 1979 that it would have been difficult to arrange for a reliable pusher to push substantial distances if it was mounted on a rotary member which was rotating about a fixed axis whilst moving back and forth parallel to the strand. The pusher then could not be directly carried on the knife plate. The solution which would have been obvious to me would be use a cam or crankshaft arranged to convert the rotary motion into a linear motion. This is a commonplace arrangement familiar for example from any piston engine.

The respondents submitted that this question should be answered in the negative, but I believe that their submission was not based upon the assumption that the first question had been decided in the negative as it should have been. The respondents’ pusher plate, using the words of the claim, ‘is carried by and movable ... to displace severed packets laterally with respect to the direction of travel of the strand’ and I have no doubt that it would be evident to a skilled man, as stated by M Dugast, to use a
mechanically equivalent pusher plate arrangement once a decision had been made to use a rotary knife. The question must therefore be answered, yes.

3. Would the reader skilled in the art nevertheless have understood from the language of the claim the patentee intended that strict compliance with the primary meaning was an essential requirement of the invention?

This question requires careful analysis of the patent, as s 125 makes clear the claim must be construed in the light of the specification as a whole.

I believe that the skilled reader would have understood that the method of operation of the pusher plate was not an essential requirement of the invention. He would be led to that conclusion by four matters. First the title of the invention. That suggests that the inventive step is the interleaving and severing of paper strips. That is emphasised by the opening words of the specification to which I have referred. Second, the invention is said to be directed to overcoming disadvantages concerned with interleaving and severing of paper strips in prior art machines and is said to be overcome by ‘interleaving continuous separate lengths of cigarette paper coming from individual supply rolls prior to the severing of the interleaved paper lengths into individual stacks or packets of desired length’ (p 1, lines 66–71). That again suggests that the pusher plate is only incidental to the interleaving and severing mechanism. Third, the specification states at p 2, line 1, ‘For the purposes of description and understanding, the present invention can be considered to be consisting of two major assemblies, the first assembly being shown generally by numeral 2 in figure 1 consisting of apparatus for interleaving continuous lengths of paper strip; the second assembly shown generally by numeral 4 consisting of apparatus for severing the interleaved strips of paper into stacks or packets of desired length’. That also indicates that the invention lies in the interleaving and cutting process and the apparatus that enables that to be done and that the remaining stage of the process which requires the cut strands to be taken away and packed is not considered an essential part of the invention. Fourth, the pusher plate is described at p 3, line 72 and 105, and the reader’s attention is not drawn to any necessity for the pusher plate to operate on the equal velocity principle.

The skilled reader would appreciate that some means was necessary to remove the cut strands and that in the apparatus of the invention that was done by the pusher plate; but he would not understand that the way the pusher plate was mounted was an essential requirement of the invention so that strict compliance with feature I was necessary. I therefore believe that question 3 should be answered in the negative with the result that I believe that infringement has been established.

It follows that I have come to a different conclusion to the judge. The judge said in para 2.6.13 ‘The essence of the invention as described and claimed is, on a fair reading, a mechanically simple way of mounting and moving the pusher plate by attaching it directly to the knife plate, which bears any load imposed on the pusher and gives it the necessary motions’. I believe he had that conclusion in mind when he came to answer the *Improver
questions and that led him to answer the questions in the way that he did. I believe that the conclusion he reached, as to what was the essence of the invention, was fundamentally wrong. The specification makes it clear that the essence of the invention is the interleaving and severing assemblies.

The answers to the Improver questions indicate that the patent has been infringed by the respondents’ machine. Is that result consistent with the approach indicated in the protocol? It cannot be doubted that the conclusion reached would be seen by the patentee to provide a fair protection for the patentee. Further I believe that the result does mean that the ambit of the claim could have been ascertained with a reasonable degree of certainty. The skilled man who read the specification could have been in no doubt that the invention lay in the interleaving and severing assemblies which enabled the disadvantages of the prior art to be overcome. Thus he would have realised that the mode of operation of the pusher plate was not envisaged as being essential to the operation of the invention and he would not be surprised that the court would conclude that the invention claimed had been taken by a machine which incorporated the interleaving and severing assemblies, but which had a pusher plate which had the effect required by the claim and was mechanically equivalent.

Validity
The respondents did not allege that the patent was invalid if it was construed so as to exclude their machine. However they submitted that, if the claim was to be construed so as to include within its ambit a pusher plate which was not mounted on the knife plate and therefore did not move parallel to the movement of the strands, then it was obvious having regard to the Munchen patent.

A patent will be held invalid under s 72(1)(a) of the Patents Act 1977 if it does not involve an inventive step. Section 3 of the Act states:

An invention shall be taken to involve an inventive step if it is not obvious to a person skilled in the art, having regard to any matter which forms part of the state of the art by virtue only of s 2(2) above (disregarding 2(3) above).

The most appropriate approach to ascertaining whether an invention is obvious is that set out by Oliver LJ in Windsurfing International v Tabur Marine (GB) Ltd [1985] RPC 59 at 73:

There are, we think, four steps which require to be taken in answering the jury question. The first is to identify the inventive concept embodied in the patent in suit. Thereafter, the court has to assume the mantle of the normally skilled but unimaginative addressee in the art at the priority date and to impute to him what was, at that date, common general knowledge in the art in question. The third step is to identify what, if any, differences exist between the matter cited as being ‘known or used’ and the alleged invention. Finally, the court has to ask itself whether, viewed without any knowledge of the alleged invention, those difference constitute steps which would have been obvious to the skilled man or whether they require any degree of invention.
Patents

The inventive step of the patent was said by Mr Thorley to be – a machine which formed packs of cut strands of paper by passing continuous strips of paper through formers to form interleaved strands which are then severed into lengths using the equal velocity principle and are then pushed laterally to form packets.

Mr Floyd did not dissent from that formulation, in so far as it went, but he concentrated his submissions on features A–I of the claim which he submitted set out the features of the invention. That was necessary because he submitted that Munchen disclosed a machine which had all those features, except it only used one set of formers and interleavers instead of a series as required by feature B. He submitted that it was obvious to increase the number of formers so as to use a series as required by that feature. That being so, he submitted that the claim included within it an obvious embodiment and was invalid. For the purpose of this case, I am prepared to adopt the approach of Mr Floyd and take the invention as consisting of the interleaving and severing assemblies as claimed with a pusher plate which pushes the severed packets laterally.

There is no dispute as to the state of the art at the priority date. At that date the star wheel machines referred to in the opening paragraphs of the specification were commonly used. However the notional skilled man would be familiar both with rotary and reciprocating cutting techniques and have a knowledge of normal engineering techniques.

Against that background, I come to consider the Munchen patent so as to decide what it discloses. Munchen discloses a machine for producing folded and interleaved sheets of paper from rolls of paper, particularly cigarette paper. Paper from four supply rolls are pulled over four guide rolls and then through one set of folding combs. From there the interleaved strips pass through a cutter device which operates using the equal velocity principle. Disposed downstream of the cutter are a pair of oppositely directed teeth (e, f) which move in sequence so that they first move towards each other, then sideways, then apart and then return to their original position so as to restart the operation. The function of the teeth is to hold the interleaved paper and then move it sideways one step so that a following strip of paper will be interleaved. The process is repeated until a stack is accumulated at which stage a gripper device picks up the stack and deposits it onto a conveyor. That operation is accurately summarised in the claims of Munchen. Claim 1 sets out the general construction of the machine. Claim 2 adds cutting by the equal velocity principle, claim 3 describes the interleaving operation using the teeth and claim 4 the gripper which removes the stacks.

1. A machine for producing alternately folded and interleaved sheets of paper in which a plurality of paper strips which are drawn from supply rolls are passed in a position of being respectively displaced by half their width, between two comb-like shaping tools which engage one into the other with their teeth and in the gaps of which the strips are respectively subjected to V-shaped folding, with alternately upwardly and downwardly directed fold edges, characterised in that the paper strip folded in that way is fed by means of feed rollers (c) to a reciprocating cutter device (d) which allows the end of the strip (5) to pass between it,
over the one lateral edge portion of the strip portion which has been previously cut off and which is held by two teeth (e, f), as far as the length of the said strip portion, and then automatically cuts it off.

2. A machine according to claim 1 characterised by a cutter device which returns after each strip portion has been cut off and then, accompanying the strip at speed of movement thereof, moves forward again therewith until the end thereof has been pushed over said previously cut-off portion, as far as the length thereof, whereupon it automatically cuts off a portion of the same length.

3. A machine according to claims 1 and 2 characterised by a device which provides for collecting and interleaving of the cut-off portions of the strip and which accommodates said strip portions by means of teeth (e, f) there between and which for that purpose always approaches the blade, moves rapidly forward after receiving a fresh portion and then displaces the portions which have been accommodated sideways to such an extent that the next following end of the strip can be pushed with one of its side portions over the adjacent side part of each portion in such a way that both strip portions are interleaved with their lateral ends.

4. A machine according to claims 1–3 characterised by a gripper (i) which with its carriage is always held in each case in its rest position, by means of levers and cam disc, until the collecting device (e, f) has been received and interleaved a corresponding number of portions of the strip (5), whereupon it is rapidly advanced by said actuating means, picks up the bunch of portions from the collecting plate member (g) and, immediately returning therewith, deposits same on a conveyor belt (j).

The appellant submitted that the function of the teeth (e, f) in Munchen was to help with the interleaving process and that the basic teaching in Munchen was to form a packet by severing four interleaved strips and then with the aid of the teeth interleave four more strips which were then cut. That it was submitted was very different to the invention of the patent which interleaved the paper strips and then severed the strands to form the packet. The respondents accepted that the way the apparatus described in Munchen worked was different, but they submitted that when the first four interleaved strips were cut a packet was formed which was then displaced by a pusher plate, the teeth, as required by feature I of the patent.

I accept that claim 1 of the patent does not limit the invention to providing any particular number of interleaved strips to form a packet, but the man skilled in the art would have been surprised to be told that four strips formed a packet. However, I am prepared to assume that four strips would be understood to be a packet despite the absence of evidence upon that matter and the fact that the onus is upon the respondents. Even so, I have been unable to find any pusher plate disclosed in Munchen. The teeth do move interleaved strips sideways, but they are not a plate let alone a pusher plate. That I believe was the evidence of M Dugast as appears from this passage in his cross-examination (Evidence 2, 18D):
Q. And feature I: ‘A pusher carried by and movable with the knife plate to
displace the severed packet laterally with respect to the direction of the
tavel’ – you agree that its fingers e and f constitute that feature?
A. Not really.
Q. Not really, in what respect do they not?
A. Sorry.
Q. In what respect to they not?
A. Because they are not only to push. They ought to push a plate – the
fingers – going through the V-shaped strand, the cut strands and –
well, the only similarity is that they displace literally the sheets, still in
a V shape.
Q. I thought you agreed with me yesterday that it really did not matter as far
as Mr Kastner’s invention is concerned what the form of the pusher plate
was, whether they were fingers like Rizla’s or whether they were a
continuous plate as Mr Kastner’s showed?
A. Yes, but both Kastner’s and Rizla’s are pushing the whole packet
sideways or ahead from the pusher by the external side of the packet,
not from the inside.
Q. But, nevertheless, there is a pushing function associated with the fingers e
and f?
A. Yes, this is what I said to you.
Q. You agree with that?
A. Yes, but this is not the only function.
Q. No, there are other functions associated with the fingers e and f which are
not pushing functions?
A. Yes.
The differences between the pusher plate required by feature I of the patent
and the teeth of Munchen are really self-evident. In the patent the packets are
formed by the interleaving and severing assemblies and all that remains to be
done is to push the severed packets out of the way of the next packet being
formed. Thus a pusher plate is required. In Munchen a pusher plate would not
be satisfactory as the teeth are required to hold the strips open and then move
them sideways one notch so that a following uncut strip will be interleaved.
The teeth move the strips sideways by, it would seem, a combination of
pushing and pulling. They are not a pusher plate and not an equivalent
mechanism. The equivalent of the pusher plate is the gripper device.
Would it be obvious to alter Munchen so as to provide a pusher plate? Clearly
not. The fingers of Munchen are essential to carry out the interleaving and
could not be replaced by a pusher plate. Further there is no evidence to suggest
that such a change would have been obvious at the priority date nor how it
would have been achieved. Munchen was published in 1926 and although it
would be read by the skilled man with interest it would not be a starting point
from which to design a machine to overcome the problems of the star wheel
machines. In particular the apparatus of Munchen would be seen as an
unnecessarily delicate machine not suitable for high speed production and would be prone to failure (M Dugast’s witness statement, para 11). In those circumstances Munchen in no way renders claim 1 obvious when construed to cover the respondents’ machine. The attack upon the patent fails as it did before the judge.

I conclude that the appellant’s patent has been infringed and that the appeal should be allowed.

Acts constituting infringement

60(1) Subject to the provisions of this section, a person infringes a patent for an invention if, but only if, while the patent is in force, he does any of the following things in the UK in relation to the invention without the consent of the proprietor of the patent, that is to say:

(a) where the invention is a product, he makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal of otherwise;
(b) where the invention is a process, he uses the process or he offers it for use in the UK when he knows, or it is obvious to a reasonable person in the circumstances, that its use there without the consent of the proprietor would be an infringement of the patent;
(c) where the invention is a process, he disposes of, offers to dispose of, uses or imports any product obtained directly by means of that process or keeps any such product whether for disposal or otherwise.

(2) Subject to the following provisions of this section, a person (other than the proprietor of the patent) also infringes a patent for an invention if, while the patent is in force and without the consent of the proprietor, he supplies or offers to supply in the UK a person other than a licensee or other person entitled to work the invention with any of the means, relating to an essential element of the invention, for putting the invention into effect when he knows, or it is obvious to a reasonable person in the circumstances, that those means are suitable for putting, and are intended to put, the invention into effect in the UK.

(3) Subsection (2) above shall not apply to the supply or offer of a staple commercial product unless the supply or the offer is made for the purpose of inducing the person supplied or, as the case may be, the person to whom the offer is made to do an act which constitutes an infringement of the patent by virtue of subsection (1) above.

(4) Without prejudice to s 86 below, subsections (1) and (2) above shall not apply to any act which, under any provision of the Community Patent Convention relating to the exhaustion of the rights of the proprietor of a patent, as that provision applies by virtue of that section, cannot be prevented by the proprietor of the patent.

(5) An act which, apart from this subsection, would constitute an infringement of a patent for an invention shall not do so if:
(a) it is done privately and for purposes which are not commercial;
(b) it is done for experimental purposes relating to the subject-matter of
the invention;
(c) it consists of the extemporaneous preparation in a pharmacy of a
medicine for an individual in accordance with a prescription given by
a registered medical or dental practitioner or consists of dealing with a
medicine so prepared;
(d) it consists of the use, exclusively for the needs of a relevant ship, of a
product or process in the body of such a ship or in its machinery
tackle, apparatus or other accessories, in a case where the ship has
temporarily or accidentally entered the internal or territorial waters of
the UK;
(e) it consists of the use of a product or process in the body or operation of
a relevant aircraft, hovercraft or vehicle which has temporarily or
accidentally entered or is crossing the UK (including the airspace
above it and its territorial waters) or the use of accessories for such a
relevant aircraft, hovercraft or vehicle;
(f) it consists of the use of an exempted aircraft which has lawfully
entered or is lawfully crossing the UK as aforesaid or of the
importation into the UK, or the use or storage there, of any part or
accessory for such an aircraft.

(6) For the purposes of subsection (2) above a person who does an act in
relation to an invention which is prevented only by virtue of paragraph (a)
(b) or (c) of subsection (5) above from constituting an infringement of a
patent for the invention shall not be treated as a person entitled to work
the invention, but:
(a) the reference in that subsection to a person entitled to work an
invention includes a reference to a person so entitled by virtue of s 55
above, and
(b) a person who by virtue of s 28(6) above or s 64 below is entitled to do
an act in relation to the invention without it constituting such an
infringement shall, so far as concerns that act, be treated as a person
entitled to work the invention.

(7) In this section ‘relevant ship’ and ‘relevant aircraft, hovercraft or vehicle’
mean respectively a ship and an aircraft, hovercraft or vehicle registered
in, or belonging to, any country, other than the UK, which is a party to the
Convention for the Protection of Industrial Property signed at Paris on 20
March 1883; and ‘exempted aircraft’ means an aircraft to which s 89 of the
Civil Aviation Act 1982 (aircraft exempted from seizure in respect of patent
claims) applies.

In SmithKline and French v Harbottle [1980] RPC 363 Oliver J (as he then was)
explored the liability of parties involved in the importation of patented goods
without the permission of the patentee. The first defendant ordered a drug,
patented by the plaintiff in the UK, from Italy for importation into England
with the intention of re-exporting it. It was carried to Heathrow by British
Airways and stored there in their bonded warehouse to the order of the first defendant. The plaintiff alleged that under s 60(1) of the Patents Act 1977, British Airways thereby infringed the patent: they kept the product ‘whether for disposal or otherwise’. It was argued on the plaintiff’s behalf that this expression was deliberately meant to be wider than the equivalent provisions in the Community Patent Convention. The judge said:

Article 29 of the Community Patent Convention is in these terms:

A community patent shall confer on its proprietor the right to prevent all third parties not having his consent: (a) from making, offering, putting on the market, or using a product which is the subject-matter of the patent, or importing or stocking the product for these purposes; (b) from using a process which is the subject-matter of the patent or when the third party knows or it is obvious in the circumstances that the use of the process is prohibited without the consent of the proprietor of the patent, from offering the process for use within the territories of the Contracting States; and (c) from offering, putting on the market, using, importing or stocking for these purposes the product obtained directly by a process which is the subject-matter of the patent.

Article 31 is in terms which are very similar to those which appear in subsection 5 of s 60. That article provides:

The rights conferred by a community patent shall not extend to (a) acts done privately and for non-commercial purposes; (b) acts done for experimental purposes relating to the subject-matter of the patented invention,

and then it goes on with similar provisions with regard to exempted aircraft and that sort of thing.

It is I think obvious from a comparison of the provisions of Article 31 and the provisions of s 60(5) that the intention of the framers of the statute was to give effect to the provisions of the convention, and indeed, as I have pointed out, s 130(7) states not only that that was the intention but that it is indeed being achieved.

‘Keep’ is a word with many meanings. Indeed in its transitive sense the Shorter Oxford English Dictionary records no less than 26 different nuances. Literally an attendant in the left luggage office at Euston ‘keeps’ a suitcase committed to his charge. If it contained a patented article I suppose he thus ‘keeps’ the article. But it would be surprising if he thereby became an infringer and liable to an injunction. Mr Prescott does not – at least I do not think he does – so contend. But beyond this point at what point does a person ‘keep’ property within the meaning of the section? In my judgment, clearly what the draftsman had in mind was ‘keeping’ in the sense of ‘keeping in stock’ so as to give effect to the words of the convention ‘stocking the product for these purposes’. Indeed it is worth noting that in the Shorter Oxford English Dictionary one of the meanings of the verb ‘to stock’ is ‘(b) esp’ – which I presume means ‘especially’ – ‘to keep goods in stock for sale’. Mr Gratwick therefore submits that, whatever else the word may mean in the section, the word ‘keep’ in the context of this Act connotes a keeping in some capacity and for a purpose other than
that of a mere custodian or warehouseman. He submits that there is at least an ambiguity here, and he referred me to the following passage from *Gartside v Inland Revenue Commissioners* [1968] AC 553, 612 where Lord Reid says: ‘It is always proper to construe an ambiguous word or phrase in light of the mischief which the provision is obviously designed to prevent, and in light of the reasonableness of the consequences which follow from giving it a particular construction.’

I find this argument persuasive. If it had really been intended to effect a revolutionary change, such as Mr Prescott suggests, I would have expected it to be done by much stronger and more positive language than this. Indeed, as Mr Gratwick has pointed out, where the legislature did intend to make an alteration in the existing law or at least to clarify it, as in subsection 2 of s 60, it did so quite expressly.

It is not, I think, necessary for me to seek to arrive at a definitive meaning of the statutory provision on this application, and I do not intend to do so. It is sufficient for the purposes of this case to say merely that I remain wholly unpersuaded that anything that British Airways have done in relation to the goods in carrying them or warehousing them in this case constitutes an infringement within the meaning of s 60. It follows from that, first, that the plaintiffs’ motion for judgment against British Airways must fail and, second, that British Airways are entitled to succeed on their interpleader motion.

In *Kalman v PCL Packaging* [1982] FSR 406 the plaintiffs owned a patent for filters that were used in processes for extruding plastics; the patent claimed both the filters and their use in plastics productions. The first defendant obtained two filters within the scope of the patent from the second defendant, Berlyn, a corporation which traded only in the US. These were consigned fob in Boston to British Airways for shipment to PCL, the purchase price having been previously paid. Under the Uniform Commercial Code of the US, Art 2–401, Berlyn accordingly parted with all possession, actual and constructive, at this shipping point and the buyer assumed all risk of loss and liability for carriage charges. Shortly after delivery, PCL were notified by the plaintiffs of their patent, and Berlyn undertook to indemnify PCL against any consequent loss. In an action for infringement of the British patent Berlyn sought to strike out the statement of claim and to set aside service upon them out of the jurisdiction on the ground that they had committed no tort in the jurisdiction.

Counsel for the plaintiff sought to make out the case against Berlyn relying on a number of provisions of s 60 of the Patents Act 1977, and associated principles of common law. Falconer J held:

(1) **Offering to dispose within the jurisdiction and disposing within the jurisdiction (s 60(1)(a))**

It is convenient under this paragraph to deal with the second of the ways in which Mr Hobbs put his cause of action under this paragraph, first of all, that is to say the allegation that Berlyn Corporation had disposed of the apparatus, the filters in question, within the jurisdiction. This involves considering the
meaning to be given to the phrase ‘dispose of’ in paragraph (a) of the subsection. It is a term which is new to our patent jurisprudence, at least in relation to infringement. Referring to the long title to the Patents Act 1977, Mr Hobbs submitted that the Act had established a whole new system of law and in particular, so he submitted, the concept of vending as an infringing act had gone having been deliberately left out of the acts specified in paragraph (a) of the subsection, so that cases such as Badische Anilin and Soda Fabrik v H Johnson & Co (1897) 14 RPC 919, were no longer good law. He submitted that if that case had had to be decided on the law as it is under s 60 of the 1977 Act it would have been decided differently and, so he submitted, on the lines of the dissenting judgment of Rigby LJ in that case in the Court of Appeal, whose judgment is to be found in 14 RPC at 416.

I do not accept this submission. In the first place, one way of disposing of an article is to sell it.

Mr Hobbs agreed that the expression in that paragraph of that article ‘putting on the market’ is equivalent to the phrase ‘dispose of’ in the statute. ‘Putting on the market,’ perhaps a somewhat colloquial expression, surely in its usually accepted sense connotes offering for sale and selling. Nowadays it may also I think embrace other forms of marketing a product, such as leasing, but I do not have to consider that possibility here. Certainly it seems to me that, bearing in mind the express provisions of s 130(7) and that wording of Article 29 of the Community Patent Convention, ‘dispose of’ in paragraph (a) of s 60 must at least include selling, that a sale of an article must be a disposal of it within the meaning of paragraph (a) in the subsection.

It seems to me also that had the legislature intended to effect such a radical change in the law as to infringement as Mr Hobbs submits, one would have expected that to have been made clearer and stronger with more positive language, as was done for instance in s 60(2), which altered the previous law as to contributory infringement.

In the present case the sales of the two filters in question had been effected in the US outside the jurisdiction, had been completed so that the property had passed to the buyer while the article was still in the US and Berlyn Corporation had parted with possession, both actual and constructive, and had no further rights of any kind in either of the filters after delivery to the shipping point in the US. Berlyn Corporation had disposed of the filters in the US and, having no further property in them or possession of them or any right of any kind in them, could not effect any further disposal of them whatsoever.

Mr Hobbs submitted that the Berlyn Corporation had disposed of the filters in the UK by delivering them to PCL. He said the act of disposal by Berlyn Corporation was delivery into the possession of PCL and that act was completed, so he said, in the UK when the carrier delivered to PCL. He referred to the acts of the intervening parties, such as the forwarding agents and carriers as – and I quote – ‘mere ministerial acts,’ an expression I think he borrowed from the dissenting judgment of Rigby LJ in the Badische Anilin case to which I have referred.
For the reasons I have already stated, I reject this argument. Once Berlyn Corporation delivered to the shipping point in the US they had no further property in, possession of, or any rights in or any control of the goods, which were PCL’s, and Berlyn Corporation could not effect any further act of disposing the goods.

Alternatively, still under this head of cause of action, Mr Hobbs submitted that Berlyn Corporation were liable for disposal of the goods in the UK on the footing that the carriers were agents of Berlyn Corporation and the carriers had disposed of the goods in the UK by delivery to PCL. I reject this argument also. It necessarily presupposes that the carriers in delivering to PCL in the UK had committed an act of infringement under s 60(1)(a) by so doing. As to that, I would refer to the judgment of Mr Justice Oliver, as he then was, in the case of Smith, Kline & French Laboratories Limited v R D Harbottle (Mercantile) Limited and Others [1980] RPC 363.

I now go back to consider Mr Hobbs’ first way of putting the plaintiffs’ case, namely, that Berlyn Corporation have infringed in that they have offered to dispose of within the jurisdiction apparatus within the claims of the patent in suit, namely, at least one of the two filters in question. In s 60(1)(a), which I have read, of the enumerated acts which if performed in the UK would be infringing, the one immediately preceding the words ‘offers to dispose of’ is the one I have just considered, ‘disposes of’. To be an infringement, that immediately preceding act, ‘disposes of’ must of course be an act within the UK. In my view, the legislature was intending in the expression ‘offers to dispose of’ to prohibit offering in the UK to do the immediately preceding prohibited act, that is, disposing of the product in the UK.

... Mr Hobbs says that that telex [which stated ‘We can ship your machine on Monday via British Airways ... Please advise the airport to ship to ...’] is an offer to dispose of the filter in question in the UK using British Airways as a carrier, as agents he says of Berlyn Corporation, to bring into the UK and hand over to PCL in this country, and that he says would be a disposal in the UK. He says that this telex, since it arrived in this country and was received in this country, is an offer in the jurisdiction, on the strength of the decision of the House of Lords in Brinkibon Ltd v Stahag Stahl und Stahlwarenhandelgesellschaft mbH, [1982] 1 All ER 239.

Assuming for present purposes without deciding, that it was an offer in the UK and assuming that British Airways as carrier were to be such as the agents of Berlyn Corporation, which I am not to be taken as deciding, I have already held that British Airways in carrying into and delivering the filters to PCL in this country did not dispose of the goods in the jurisdiction within the meaning of s 60(1)(a), so that there was no offer, whether made within or without the jurisdiction, of a disposal of the filters in the UK by reason of the action of British Airways in carrying in and handing over to PCL within the jurisdiction. So that, in my judgment, the plaintiffs have not shown a cause of action within the jurisdiction on this ground.
(2) Offering a process for use within the jurisdiction (s 60(1)(b))

With all respect to Mr Hobbs, it seems to me that this argument is a complete non-starter. Section 60(1)(b) requires the offer of a process for use in the UK. In my judgment, on no reasonable or sensible view of the facts in this case could Berlyn be said to have offered to PCL the use of a process in the UK. What was offered to PCL was the sale of the filters in question in the US, to PCL in the case of the first filter and of course to the hire purchase company in the case of the second one, with delivery fob to the shipping point in the US and I cannot see how either of those transactions could have amounted to an offer to PCL of the use of a process in the UK.

(3) Supplying essential means for putting the invention into effect (s 60(2))

This subsection requires the supply in the UK, or the offer to supply in the UK, of the means in question for putting the patented invention into effect in the UK. There was no supply in the UK to PCL or offer to supply in the UK to PCL by Berlyn Corporation of the filters in question. They were supplied to PCL in the US pursuant to sales in the US, fob the shipping point in the US and, in my judgment, the plaintiffs cannot have any cause of action against Berlyn Corporation under this head.

(4) Joint tort committed by Berlyn and PCL

As I understand the law, to be a joint tortfeasor a person must have acted in concert with another pursuant to a common design in the commission of the tort, that is to say, it has got to be a joint tort ...

What Mr Hobbs says is that Berlyn Corporation, with knowledge of the plaintiffs’ British patent, have since at least 23 July 1981, which is the date of the indemnity, collaborated with PCL in an arrangement whereby PCL continued to use the filters in their process in the UK while Berlyn Corporation, to use Mr Hobbs’ own expression, ‘have stood guard over the arrangement’, which I understood to mean by reason of the indemnity and the submission is that all that amounts to a common design between Berlyn Corporation and PCL to infringe the plaintiffs’ patent.

As I have said, I cannot accept that argument. On the facts as I have stated them, I do not consider that Berlyn Corporation were guilty of acting in concert to infringe the plaintiffs’ patent at all. Moreover, it is quite clear that at common law, on the facts as I have stated them, Berlyn Corporation would not be infringers of the plaintiffs’ patent either as joint tortfeasors or as procuring infringement by PCL.

The principle of law applicable was settled by the decisions of the Court of Appeal in Townsend v Haworth 48 LJ (NS) 770, and in Dunlop Pneumatic Tyre Co Ltd v D Moseley & Sons Limited (1904) 21 RPC 274. Those authorities were followed recently by the Court of Appeal in Belegging- en Exploitatiemaatschappij Lavender BV v Witton Industrial Diamonds Limited [1979] FSR 59. Referring to those two old authorities Buckley LJ with whose judgment the other lords justices agreed, Goff LJ and Eveleigh LJ at p 64 after giving the references to the two cases, Townsend v Haworth and Dunlop Pneumatic Tyre Co Ltd v D Moseley & Sons Limited, said:
In the former of these two cases – [that is Townsend v Haworth] – Mellish LJ stated the principle tersely and forcefully as follows: ‘Selling materials for the purpose of infringing a patent to the man who is going to infringe it, even although the party who sells it knows that he is going to infringe it and indemnifies him, does not by itself make the person who so sells an infringer. He must be a party with the man who so infringes and actually infringe.’

In the latter case – [that is Dunlop Pneumatic Tyre Co Ltd v D Moseley & Sons Ltd] – Vaughan Williams LJ said (at p 278): ‘The real question which was intended to be raised by the plaintiffs was this – whether the selling of an article intended to be used for the purpose of infringing a patent is an infringement of the patent. In my judgment it is not.’ In the same case Stirling CJ said (at p 281) that Townsend v Haworth was authority that the sale of an article does not become an infringement merely because the vendor knows that the purchaser intends to use the article when sold for the purposes of infringing the patent, and Cozens Hardy LJ said (at p 282) that Townsend v Haworth was a decision that there is no infringement by defendants, even though they sell to persons with the intent that those persons should afterwards use the article sold for infringing purposes, or even if they took an indemnity in the case of any infringement being made.’

In Dunlop v Moseley Vaughan Williams LJ obiter (at p 280) expressed the opinion that that action would have failed even though the plaintiffs were able to substantiate the proposition that the goods manufactured and sold by the defendants could not be used for any purpose other than an infringing purpose. I would agree with this, for goods which cannot be used otherwise than in an infringing manner may nevertheless be disposed of without any infringement. They may, for example, be exported.

No doubt the law so stated in those authorities has been altered by s 60(2) in the 1977 Act, to which provision I have already referred, but the alteration to the common law principle so effected, in my view, is strictly limited in that, as I have already pointed out, under s 60(2) a person who supplies any of the means relating to an essential element of the patented invention for putting the invention into effect only infringes within the subsection if he supplies in the UK.

Had it been the intention of the legislature to abrogate the principle of Townsend v Haworth and Dunlop Pneumatic Tyre Co Ltd v D Moseley & Sons Ltd where the sale and supply was outside the UK, one would have expected clear language to that effect. On the contrary, the language restricts the alteration of the law to the case of supply in the UK. If that be right, so that the common law principle enunciated in those authorities still obtains in respect of supply outside the UK, as a matter of law Mr Hobbs’ submission on joint tortfeasance must fail. But however that may be, in my judgment, on the facts there has been no common design between Berlyn Corporation and PCL to infringe the plaintiffs’ patent in the UK.
The judge then quoted from Graham J’s judgment in that case: *Morton-Norwich Products v Intercen* [1978] RPC 501:

If however I am wrong and the proper view is that Intercen have themselves done no acts here contributing to the actual commission of the tort, I still hold the view that by virtue of such common design they have no defence to the claim of joint tortfeasance. A person may be liable as a joint tortfeasor provided he has such common design although he has not himself done anything within the jurisdiction which taken by itself would amount to an actionable tort. See *The Koursk* [1924] at 140, and *Brook v Bool* [1928] 2 KB 578 at 586. I therefore hold here that the defendants are guilty of infringement of the English patent by reason of their acts of joint tortfeasance with the Easter companies, who in fact sold the material in question here.

I have read enough of that case to point the distinction on the facts of that case from the present one. There was in fact, as it was held, a common design to sell in this country and that was quite different to the facts in this case.

(5) Procuring commission of a tort within the jurisdiction

His Lordship then quoted from Buckley L J’s judgment in *Lavender v Witten* above:

Facilitating the doing of an act is obviously different from procuring the doing of the act. In *Townsend v Haworth* the sale of an ingredient necessary for an infringing manufacture must have facilitated the infringement, but was held not to amount to an infringement, even though the vendor knew how the ingredient was to be used and indemnified the purchaser against any infringement claim. Mr Young says that this was because the purchaser approached the vendor and was not persuaded by the vendor to make the purchase or to infringe. But in the present case there is no allegation that the defendants persuaded Edel to make the purchase or even that they sought his custom in any way.

In this case there is no question of Berlyn Corporation persuading PCL to purchase the filters, less still to use them, or that Berlyn Corporation actually sought PCL’s custom, that is to say, the UK PCL. The position was quite different. It was Mr Holmes of PCL who sought the filters from Berlyn Corporation, who persuaded both PCL Canada and PCL US to release one of the two filters already destined for PCL US that was only allowed by Berlyn Corporation on payment terms much more stringent than had been asked of PCL US. A filter was to be released, and was indeed released, only after payment of the whole of the purchase price in the US prior to release to the shipping point. As to the second filter, it was again Mr Holmes who wrote to Berlyn Corporation and sought it. There was no question of persuading by Berlyn Corporation. That did not arise at all. I reject this contention of procuring as a possible cause of action against Berlyn Corporation on the facts.
Prior user

A prior user of a patented invention may have a defence to an infringement action under s 64, which provides (as amended by Schedule 5, para 17 of the CDPA 1988):

64(1) Where a patent is granted for an invention, a person who in the UK before the priority date of the invention:

(a) does in good faith an act which would constitute an infringement of the patent if it were in force; or

(b) makes in good faith effective and serious preparations to do such an act, has the right to continue to do the act or, as the case may be, to do the act, notwithstanding the grant of the patent; but this right does not extend to granting a licence to another person to do the act.

(2) If the act was done, or the preparations were made, in the course of a business, the person entitled to the right conferred by subsection (1) may

(a) authorise the doing of that act by any partners of his for the time being in that business; and

(b) assign that right, or transmit it on death (or in the case of a body corporate on its dissolution), to any person who acquires that part of the business in the course of which the act was done or the preparations were made.

(3) Where a product is disposed of to another in exercise of the rights conferred by subsection (1) or (2), that other and any person claiming through him may deal with the product in the same way as if it had been disposed of by the registered proprietor of the patent.

Procedure and remedies

61(1) Subject to the following provisions of this part of this Act, civil proceedings may be brought in the court by the proprietor of a patent in respect of any act alleged to infringe the patent and (without prejudice to any other jurisdiction of the court) in those proceedings a claim may be made:

(a) for an injunction or interdict restraining the defendant or defender from any apprehended act of infringement;

(b) for an order for him to deliver up or destroy any patented product in relation to which the patent is infringed or any article in which that product is inextricably comprised;

(c) for damages in respect of the infringement;

(d) for an account of the profits derived by him from the infringement;

(e) for a declaration or declarator that the patent is valid and has been infringed by him.
The court shall not, in respect of the same infringement, both award the proprietor of a patent damages and order that he shall be given an account of the profits.

In Watson Laidlaw v Potts Cassels and Williamson [1914] 31 RPC 104 (HL), a Scottish case, the plaintiff’s patent was for a device which reduced oscillation of the spindle in washing machines. The defendant was found to have infringed the patent by incorporating the invention in its washing machines. The plaintiff was awarded £1,500 as a ‘jury estimate’ by the Lord Ordinary, which was increased to £3,000 by the Second Division of the Inner House. The number of machines sold by the defendant was 252, of which 130 were sold to the Java trade. There was evidence that the plaintiff would not have made those sales.

Lord Shaw: In my opinion, the case does raise sharply an important question as to the assessment of damages in patent cases, and with that question I proceed to deal. It is probably a mistake in language to treat the methods usually adopted in ascertaining the measure of damages in patent cases as principles. They are the practical working rules which have seemed helpful to judges in arriving at a true estimate of the compensation which ought to be awarded against an infringer to a patentee. In the case of damages in general, there is one principle which does underlie the assessment. It is what may be called that of restoration. The idea is to restore the person who has sustained injury and loss to the condition in which he would have been had he not so sustained it. In the cases of financial loss, injury to trade, and the like, caused either by breach of contract or by tort, the loss is capable of correct appreciation in stated figures. In a second class of cases, restoration being in point of fact difficult, as in the case of loss of reputation, or impossible, as in the case of loss of life, faculty, or limb, the task of restoration under the name of compensation calls into play inference, conjecture, and the like. This is necessarily accompanied by those deficiencies which attach to the conversion into money of certain elements which are very real which go to make up the happiness and usefulness of life, but which were never so converted or measured. The restoration by way of compensation is therefore accomplished to a large extent by the exercise of a sound imagination and the practice of the broad axe. It is in such cases, my Lords, whether the result has been attained by the verdict of a jury or the finding of a single judge, that the greatest weight attaches to the decision of the Court of First Instance. The reasons for this are not far to seek – such as the value of testimony at first hand, down to even the nuances of its expression, and they include, of course, the attitude and demeanour of the witnesses themselves. In all these cases, however, the attempt which justice makes is to get back to the status quo ante in fact, or to reach imaginatively, by the process of compensation, a result in which the same principle is followed. In patent cases the principle of restoration is in all instances to some extent, and in many instances to the entire extent dependent upon the same principle of restoration. The patentee may show that the trade done by the infringer would have been his (the patentee’s) trade, and he is entitled in such cases to be restored against the action of the infringer; and he may adopt, in liquidating that principle in money, an alternative course. He may say, ‘I shall accept the
profits which have been made by the infringer in this trade which ought to have been my trade'; or he may take the other head of the alternative and say, 'The illicit opposition to, and interference with, my own trade caused me damage. I lost profit which I would have otherwise made in it; I lost business connection; the development of my business on its natural lines was interrupted by my being driven by these acts of piracy out of sections of my own trade'. These and other things may be heads of damage ... in the course, however, of deciding cases, certain expressions have been used by learned judges, which, according to the contention, are to the effect, or truly mean, that if the patentee chooses the latter course, namely, to reckon up his claim under heads of damage, he is limited, so to speak, by the principle of restoration. Phrases, for instance, have been used, which it is said imply that the entire measure of his damage is the loss which he has incurred of the trade done in the pirated articles ...

It is at this stage of the case, however, my Lords, that a second principle comes into play. It is not exactly the principle of restoration, either directly or expressed through compensation, but it is the principle underlying price or hire. It plainly extends – and I am inclined to think not infrequently extends to patent cases. But, indeed, it is not confined to them. For wherever an abstraction or invasion of property has occurred, then, unless such abstraction or invasion were to be sanctioned by law, the law ought to yield a recompense under the category or principle, as I say, either of price or of hire. If A, being a liveryman, keeps his horse standing idle in the stable, and B against his wish or without his knowledge, rides or drives it out, it is no answer to A for B to say: 'Against what loss do you want to be restored? I restore the horse. There is no loss. The horse is none the worse; it is the better for the exercise' ... [I will] assume that the respondents would not have done the Java trade in the 130 machines sold in that island by the infringers, and containing the patented part. The argument is – for indeed this instance covers sufficiently the whole ground – the argument is: Here it is demonstrated that the respondents have lost no trade which they could have obtained; and under the cover of certain judicial dicta the infringers are entitled to say that the entire measure of the respondents' damage is exhausted when restoration of the status quo ante has been obtained ... [S]uppose the respondents had chosen to ask for an account of the profits made by the infringers upon the infringing machines, they would have been entitled to obtain it, and a decree for the amount, and it would have been no answer to say: 'The account shall be given, but there shall be excluded from it places which we shall establish your trade would never have reached' ...

[I]n such cases it appears to me that the correct and full measure is only reached by adding that a patentee is also entitled, on the principle of price or hire, to a royalty for the unauthorised sale or use of every one of the infringing machines in a market which the infringer, if left to himself, might not have reached. Otherwise, that property which consists in the monopoly of the patented articles granted to the patentee has been invaded, and indeed abstracted, and the law, when appealed to, would be standing by and allowing the invader or abstractor to go free. In such cases a royalty is an excellent key to unlock the difficulty, and I am in entire accord with the principle laid down
by Lord Moulton in Meters Ltd v Metropolitan Gas Meters Ltd (1911) 28 RPC 163. Each of the infringements was an actionable wrong, and although it may have been committed in a range of business or of territory which the patentee might not have reached, he is entitled to hire or royalty in respect of each unauthorised use of his property. Otherwise, the remedy might fall unjustly short of the wrong.

An innocent infringer is protected by s 62, which provides:

1. In proceedings for infringement of a patent damages shall not be awarded, and no order shall be made for an account of profits, against a defendant or defender who proves that at the date of the infringement he was not aware, and had no reasonable grounds for supposing, that the patent existed; and a person shall not be taken to have been so aware or to have had reasonable grounds for so supposing by reason only of the application to a product of the word patent or patented, or any word or words expressing or implying that a patent has been obtained for the product, unless the number of the patent accompanied the word or words in question.

2. In proceedings for infringement of a patent the court or the comptroller may, if it or he thinks fit, refuse to award any damages or make any such order in respect of an infringement committed during any further period specified under s 25(4) above, but before the payment of the renewal fee and any additional fee prescribed for the purposes of that subsection.

3. Where an amendment of the specification of a patent has been allowed under any of the provisions of this Act, no damages shall be awarded in proceedings for an infringement of the patent committed before the decision to allow the amendment unless the court or the comptroller is satisfied that the specification of the patent as published was framed in good faith and with reasonable skill and knowledge.

63(1) If the validity of a patent is put in issue in proceedings for infringement of the patent and it is found that the patent is only partially valid, the court or the comptroller may, subject to subsection (2) below, grant relief in respect of that part of the patent which is found to be valid and infringed.

2. Where in any such proceedings it is found that a patent is only partially valid, the court or the comptroller shall not grant relief by way of damages, costs or expenses, except where the plaintiff or pursuer proves that the specification for the patent was framed in good faith and with reasonable skill and knowledge, and in that event the court or the comptroller may grant relief in respect of that part of the patent which is valid and infringed, subject to the discretion of the court or the comptroller as to costs or expenses and as to the date from which damages should be reckoned.

3. As a condition of relief under this section the court or the comptroller may direct that the specification of the patent shall be amended to its or his satisfaction upon an application made for that purpose under s 75 below, and an application may be so made accordingly, whether or not all other issues in the proceedings have been determined.
Abuse of monopoly

Section 44 imposes restrictions on what can be done with a patent. If the monopoly granted to the inventor or owner of the patent is abused, the law will make contractual provisions void. Bear in mind also the technology transfer block exemption, which covers some of the same ground.

44(1) Subject to the provisions of this section, any condition or term of a contract for the supply of a patented product or of a licence to work a patented invention, or of a contract relating to any such supply or licence, shall be void in so far as it purports:

(a) In the case of a contract for supply, to require the person supplied to acquire from the supplier, or his nominee, or prohibit him from acquiring from any specified person, or from acquiring except from the supplier or his nominee, anything other than the patented product;

(b) In the case of a licence to work a patented invention, to require the licensee to acquire from the licensor or his nominee, or prohibit him from acquiring from any specified person, or from acquiring except from the licensor or his nominee, anything other than the product which is the patented invention or (if it is a process) other than any product obtained directly by means of the process or to which the process has been applied;

(c) In either case, to prohibit the person supplied or licensee from using articles (whether patented products or not) which are not supplied by, or any patented process which does not belong to, the supplier or licensor, or his nominee, or to restrict the right of the person supplied or licensee to use any such articles or process.

(2) Subsection (1) above applies to contracts and licences whether made or granted before or after the appointed day, but not to those made or granted before 1 January 1950.

(3) In proceedings against any person for infringement of a patent it shall be a defence to prove that at the time of the infringement there was in force a contract relating to the patent made by or with the consent of the plaintiff or pursuer or a licence under the patent granted by him or with his consent and containing in either case a condition or term void by virtue of this section.

(4) A condition or term of a contract or licence shall not be void by virtue of this section if:

(a) at the time of the making of the contract or granting of the licence the supplier or licensor was willing to supply the product, or grant a licence to work the invention, as the case may be, to the person supplied or licensee, on reasonable terms specified in the contract or licence and without any such condition or term as is mentioned in subsection (1) above; and

(b) the person supplied or licensee is entitled under the contract or licence to relieve himself of his liability to observe the condition or term on
giving to the other party three months’ notice in writing and subject to payment to that other party of such compensation (being, in the case of a contract to supply, a lump sum or rent for the residue of the term of the contract and, in the case of a licence, a royalty for the residue of the term of the licence) as may be determined by an arbitrator or arbiter appointed by the Secretary of State.

(5) If in any proceeding it is alleged that any condition or term of a contract or licence is void by virtue of this section it shall lie on the supplier or licensor to prove the matters set out in paragraph (a) of subsection (4) save

(6) A condition or term of a contract or licence shall not be void by virtue of this section by reason only that it prohibits any person from selling goods other than those supplied by a specific person or, in the case of a contract for the hiring of or licence to use a patented product, that it reserves to the bailor (or in Scotland, hirer) or licensor, or his nominee, the right to supply such new parts of the patented product as may be required to put or keep it in repair.

In Tool Metal v Tungsten Electric (1955) 72 RPC 209 the plaintiff had patents for making hard tips for machine tools from tungsten carbide. These originally covered two grades of ‘contract material’, the iron grade and the steel grade, but the patent for the iron grade expired in 1941. In a licence under both patents, Tungsten Electric agreed that for its use of contract material it would pay a 10% royalty up to 50 kg per month and for any excess not obtained from Tool Metal or one of its licensees additional ‘compensation’ at the rate of 30%. The obligation to do so was resisted on a number of grounds, one of which was s 38 of the Patents and Designs Act 1907 (now s 44 of the 1977 Act).

Lord Oaksey, reading for and agreeing with Lord Reid, said:

It will be seen that a number of contingencies were involved before this inducement could operate; TECO must want to buy iron grade material instead of making it and they must want to buy it for use and not for immediate resale; some independent manufacturer must have started making the material; and the material must be of suitable quality and must be available at a competitive price. If then the independent manufacturers’ price were more than 30% below TMMC’s price the 30% compensation would not matter as it would still pay TECO to buy from the independent manufacturer, and if that manufacturer’s price were above TMMC’s price the compensation would not matter as TECO would in any case buy from TMMC. But if that manufacturer’s price were below, but less than 30% below, TMMC’s price, then the liability to pay compensation would probably induce TECO to buy from TMMC whereas, in the absence of Clause 5, they would probably have bought from the independent manufacturer. It is the possibility of that happening which, on the argument for TECO, makes it necessary to hold that the effect of Clause 5 will be to restrict TECO from using iron grade material supplied by any person other than TMMC and their licensees.

There appear to me to be four key words in the subsection – ‘the effect of which will be (a) to prohibit or restrict ... or (b) to require’. To my mind, the natural meaning of the subsection is that the effect of the condition must be to
limit the right of the licensee to make a choice, and I do not think that these words are appropriate to cover a case such as the present where the licensee remains free to choose but the presence of the condition will in some circumstances create an inducement to choose to buy from the licensor. I take first the word ‘require’ in subsection (1)(b): the effect of a particular condition may be to offer so great an advantage to the licensee if he buys from the licensor that it would be extremely foolish of him not to do that, but I do not think that in the ordinary use of language it could properly be said that the effect of such a condition will be to ‘require’ the licensee to do it. I feel bound to hold that subsection (1)(b) only applies if the effect of the condition is that whenever certain circumstances occur the licensee, if he wishes to buy the article, is obliged to buy it from the licensor. Then I take the word ‘prohibit’ in subsection (1)(a). It is true that the adjective ‘prohibitive’ is frequently used when there is no legal prohibition, as in the phrase ‘a prohibitive price’, and it may be that the verb ‘prohibit’ is sometimes used in that way, but I would not expect the word ‘prohibit’ to be used in this context to denote a state of affairs where the inducement not to buy the other person’s goods is so great that no reasonable person would choose to do so, and I see nothing in the context pointing to such a meaning. I think that the meaning is that the effect of the condition will be such as to oblige the licensee in certain circumstances not to use the other person’s goods.

Then I come to the word ‘restrict’. A person though not prohibited is restricted from using something if he is permitted to use it to a certain extent or subject to certain conditions but otherwise obliged not to use it, but I do not think that a person is properly said to be restricted from using something by a condition the effect of which is to offer him some inducement not to use it, or in some other way to influence his choice. To my mind, the more natural meaning here is restriction of the licensee’s right to use an article and I am fortified in that opinion by two considerations.

If I am right in thinking that ‘require’ and ‘prohibit’ refer to legal obligations to buy or not to use, I see nothing to suggest that ‘restrict’ is used in quite a different sense which has nothing to do with legal obligation but which relates to financial disadvantage. And, second, to say that the effect will be to restrict seems to me much more appropriate if restriction refers to restriction of the licensee’s right to use than it would be if restriction refers to an inducement not to use. The legality of the condition has to be determined at the time when the licence is granted and if the terms of the conditions are such as to restrict the licensee’s right to use an article in certain circumstances then it can properly be said that its effect will be to restrict him from using it. But if, as in the present case, all that can be said is that the effect of the condition in some circumstances will be to offer a financial advantage, which may be considerable or may be small, if the licensee uses the licensor’s goods, I do not see how it can be said that its effect will be to restrict the licensee from using other goods. The licensee may be influenced by this financial advantage or he may, perhaps for good reason, choose to disregard it; it is impossible to say in advance what the effect will be.

I recognise that to give this meaning to the section leaves room for evasion. I do not think that the primary purpose of Clause 5 was to evade this section,
and the absence of any reported case in a period of 48 years since the section was enacted would seem to show that evasion of this kind has not been common. But undoubtedly it would often be possible to achieve a preference for the licensor by coupling the licence with a condition, which, though not having the effect of limiting the licensee’s freedom of choice, imposed some burden on the licensee if he bought certain articles in the open market. The question is whether it is legitimate to stretch the words of s 38 to make them apply to such a case. Section 38(1) is a highly penal provision. It not only makes the whole condition void, although the circumstances in which it would have the effect of restricting the licensee may be very unlikely to occur, but by subsection (4) it also makes the existence of the condition a defence to an action for infringement of the patent. At best the section is ambiguous, and if a penal provision is ambiguous it ought not, in my view, to be construed in a wider sense than the ordinary meaning of its terms requires. This section appears to have been enacted to deal with a definite and limited abuse, and if Parliament failed to take the opportunity to deal with the whole matter sufficiently comprehensively, then the remedy was an amending Act of Parliament.

Compulsory licences

If an inventor could obtain a patent and use it to prevent the invention being worked, the whole purpose of the patent system would be thwarted. The bargain between the State and the patentee requires the invention to be put to use. So the law provides that if the patentee is just sitting on the patent stopping others from using it, compulsory licences shall become available:

48(1) At any time after the expiration of three years, or of such other period as may be prescribed, from the date of the grant of a patent any person may apply to the comptroller on one or more of the grounds specified in subsection (3) below:

(a) for a licence under a patent;

(b) for an entry to be made in the register to the effect that licences under the patent are to be available as of right; or

(c) where the applicant is a government department, for the grant to any person specified in the application of a licence under the patent.

(2) A rule prescribing any such other period under subsection (1) above shall not be made unless a draft of the rule has been laid before, and approved by resolution of each House of Parliament.

(3) The grounds are:

(a) where the patented invention is capable of being commercially worked in the UK, that it is not being so worked or is not being so worked to the fullest extent that is reasonably practicable;

(b) where the patented invention is a product, that a demand for the product in the UK:

(1) is not being met on reasonable terms, or

(2) is being met to a substantial extent by importation;
(c) where the patented invention is capable of being commercially worked in the UK, that it is being prevented or hindered from being so worked:

(1) where the invention is a product, by the importation of the product,

(2) where the invention is a process by the importation of a product obtained directly by means of the process or to which the process has been applied;

(d) that by reason of the refusal of the proprietor of the patent to grant a licence or licences on reasonable terms:

(1) a market for the export of any patented product made in the UK is not being supplied, or

(2) the working or efficient working in the UK of any other patented invention which makes a substantial contribution to the art is prevented or hindered, or

(3) the establishment or development of commercial or industrial activities in the UK is unfairly prejudiced;

(e) that by reason of conditions imposed by the proprietor of the patent on the grant of licences under the patent, or on the disposal or use of the patented product or on the use of the patented process, the manufacture, use or disposal of materials not protected by the patent, or the establishment or development of commercial or industrial activities in the UK, is unfairly prejudiced.

(4) Subject to the provisions of subsections (5)–(7) below, if he is satisfied that any of those grounds are established, the comptroller may:

(a) where the application is under subsection (1)(a) above, order the grant of licence to the applicant, on such terms as the comptroller thinks fit;

(b) where the application is under subsection (1)(b) above, make such an entry as is there mentioned;

(c) where the application is under subsection (1)(c) above, order the grant of a licence to the person specified in the application on such terms as the comptroller thinks fit.

50(1) The powers of the comptroller on an application under s 48 above in respect of a patent shall be exercised with a view to securing the following general purposes:

(a) that inventions which can be worked on a commercial scale in the UK and which should in the public interest be so worked shall be worked there without undue delay and to the fullest extent that is reasonably practicable;

(b) that the inventor or other person beneficially entitled to a patent shall receive reasonable remuneration having regard to the nature of the invention;

(c) that the interests of any person for the time being working or developing an invention in the UK under the protection of a patent shall not be unfairly prejudiced.
(2) Subject to subsection (1) above, the comptroller shall, in determining whether to make an order or entry in pursuance of such an application, take account of the following matters, that is to say:
(a) the nature of the invention, the time which has elapsed since the publication in the journal of a notice of the grant of the patent and the measures already taken by the proprietor of the patent or any licensee to make full use of the invention;
(b) the ability of any person to whom a licence would be granted under the order concerned to work the invention to the public advantage; and
(c) the risks to be undertaken by that person in providing capital and working the invention if the application for an order is granted, but shall not be required to take account of matters subsequent to the making of the application.

In Commission v UK Case C–90/30, [1992] ECR I–829 the European Court of Justice held that the Treaty of Rome did not permit the UK legislation to discriminate against patents worked elsewhere in the Community. This provision should therefore be read in the light of that judgment, so that only if the invention is not being worked in the EC will compulsory licences be available.

Crown use

Unsurprisingly, the Crown (which grants the privileges embodied in a patent) reserves the right to take advantage of the invention if it needs it. As with other types of intellectual property, the Patents Act contains extensive Crown use provisions.

55(1) Notwithstanding anything in this Act, any government department and any person authorised in writing by a government department may, for the services of the Crown and in accordance with this section, do any of the following acts in the UK in relation to a patented invention without the consent of the proprietor of the patent, that is to say:
(a) where the invention is a product, may:
   (1) make, use, import or keep the product, or sell or offer to sell it whether to do so would be incidental or ancillary to making, using, importing or keeping it; or
   (2) in any event, sell or offer to sell it for foreign defence purposes or for the production or supply of specified drugs and medicines, or dispose or offer to dispose of it (otherwise than by selling it) for any purpose whatever;
(b) where the invention is a process, may use it or do in relation to any product obtained directly by means of the process anything mentioned in paragraph (a) above;
(c) without prejudice to the foregoing, where the invention or any product obtained directly by means of the invention is a specified drug or medicine, may sell or offer to sell the drug or medicine;

(d) may supply or offer to supply to any person any of the means, relating to an essential element of the invention, for putting the invention into effect;

(e) may dispose or offer to dispose of anything which was made, used, imported or kept in the exercise of the powers conferred by this section and which is no longer required for the purpose for which it was made, used, imported or kept (as the case may be), and anything done by virtue of this subsection shall not amount to an infringement of the patent concerned.

(2) Any act done in relation to an invention by virtue of this section is in the following provisions of this section referred to as use of the invention; and ‘use’, in relation to an invention, in ss 56–58 below shall be construed accordingly.

... (4) So far as the invention has not been so recorded or tried, any use of it made by virtue of this section at any time either:

(a) after the publication of the application for the patent for the invention; or

(b) without prejudice to paragraph (a) above, in consequence of a relevant communication made after the priority date of the invention otherwise than in confidence;

shall be made on such terms as may be agreed either before or after the user by the government department and the proprietor of the patent with the approval of the Treasury or as may in default of agreement be determined by the court on a reference under s 58 below.

... (8) A person acquiring anything disposed of in the exercise of powers conferred by this section, and any person claiming through him, may deal with it in the same manner as if the patent were held on behalf of the Crown.

... (10) Subsection (4) above is without prejudice to any rule of law relating to the confidentiality of information.

56(1) Any reference in s 55 above to a patented invention, in relation to any time, is a reference to an invention for which a patent has before that time been, or is subsequently, granted.

(2) In this Act, except so far as the context otherwise requires, the services of the Crown includes:

(a) the supply of anything for foreign defence purposes;

(b) the production or supply of specified drugs and medicines; and
... (4) For the purposes of s 55(1)(a) and (c) above and subsection (2)(b) above, specified drugs and medicines are drugs and medicines which are both:

(a) required for the provision of pharmaceutical services, general medical services or general dental services, that is to say, services of those respective kinds under Part 2 of the National Health Service Act 1977, Part 2 of the National Health Service (Scotland) Act 1978, or the corresponding provisions of the law in force in Northern Ireland or the Isle of Man, and

(b) specified for the purposes of this subsection in regulations made by the Secretary of State.

DURATION

The basic term of protection under a UK patent, and under a European Patent (UK), is 20 years. Under the 1949 Act it was only 16 years, and patents in existence when the 1977 Act came into operation received an extra period of protection. To make things a little fairer, this additional windfall period was made subject to licences of right – that is, anyone wishing to work the invention in that time would be able to get a licence on request provided that he paid the licence fee demanded by the patentee.

Some products, particularly pharmaceuticals, take a long time to get to market. Extensive tests and trials are required, so that by the time the patentee begins selling products covered by the patent there is often little protection left. In the Copyright, Designs and Patents Act 1988 pharmaceutical patentees were given the possibility of extending the term of protection of their pre-1977 patents by being relieved of the licensing of right requirements referred to in the preceding paragraph. Later this concession was also extended to pesticides.

SUPPLEMENTARY PROTECTION CERTIFICATES

The European Community has also recognised the need for additional protection for proprietors of pharmaceutical inventions, and a regulation has been adopted providing for the grant of supplementary protection certificates.10 These will have the effect of giving an extra period of protection for pharmaceutical products.

The purpose of this is to compensate patentees for the time during which they were not able to exploit their inventions as a result of the need to secure regulatory approval before putting the product onto the market. The regulation came into effect on 2 January 1993 for all then EEC Member States except Spain, Portugal and Greece, for which the regulation will come into effect on 2 January 1998.

Typically, 12 years may elapse between discovery or invention and medicinal use, reducing the effective patent term to eight years. This situation has, the Commission says, ‘arisen as a result of the interference between two types of administrative procedure (which) imposes heavy penalties on pharmaceutical research, which is therefore discriminated against as compared with other technological sectors’.

Additionally there is provision in the Community for health authorities to grant what is effectively a period of non-patent exclusivity for new drugs. This is done by the health authority agreeing for a given period not to grant approval for any generic drug unless the generic manufacturer submits all of the same test data as the initial applicant. The relevant directive\(^1\) provides that Member States shall provide such exclusivity for a minimum period of six years. As a practical matter, however, most have adopted a term of 10 years.

Extensions of patents will be effected by the grant of ‘supplementary protection certificates’ for periods of up to five years after the end of the normal patent term. Subject to this five-year limit, extensions will be for a period of five years less than the delay occurring between the filing of the application giving rise to the patent was granted. The regulation will have retroactive effect to cover some products already on the market. In general such retroactive effect covers drugs that first obtained marketing approval on or after 1 January 1985, although different dates apply for Denmark and Germany (1 January 1988) and Belgium and Italy (1 January 1982).

It should be noted that the extension of protection effected by the supplementary certificate is restricted to products that have been granted marketing approval and do not provide for extension of protection for any other subject-matter that might fall within the scope of the patent claims.\(^2\) Applications for the grant of such supplementary certificates must be filed within six months of the date on which marketing approval is granted.

An application for the grant of a supplementary protection certificate must be made to the national patent office of each country in which extension of

\(^{1}\) OJ 1987 No L15/36.
\(^{2}\) This provision causes some problems in the case of compounds for which authorisation may have been granted in one form but which would be equally effective in the form of some other salt or ester. The wording of the regulation is not entirely clear on this point and in the UK at least it seems that the claim of a supplementary protection certificate may be in the form ‘X, optionally in the form of a pharmaceutically acceptable salt’.
protection is sought. The application must be made within six months of the date on which marketing approval for the product in question is granted anywhere within the EEC. Furthermore a supplementary protection certificate can be granted only in respect of the ‘basic’ patent covering the product in question.

The EPC Member States agreed in December 1991 to an amendment to the convention to permit members to extend European patents in cases of national emergency or to compensate for marketing delays due to an ‘administrative authorisation’ procedure required by law before a product can be marketed.13

On 27 November 1995 the Council of Ministers adopted a common position on a proposed regulation that would result in the issue by national patent offices of analogous supplementary protection certificates for plant protection products such as insecticides, fungicides and herbicides that are also subject to regulatory approval before they can be marketed. The maximum possible additional protection will be for five years. Before enactment, however, the proposal still has to receive a second reading from the European Parliament and then be reviewed one further time by the Council of Ministers.

EMPLOYEE INVENTIONS

The old Patents Act of 1949 was silent on the question of employees’ inventions. Consideration of the ownership of such inventions was therefore a matter of looking at the employee’s contract and considering the doctrine of restraint of trade.

Section 39 of the Patents Act 1977 consists of a self-contained code for determining the ownership of an invention made by an employee who works wholly or mainly in the UK. The basic rule is that such an invention belongs to the employee unless one of two situations set out in the legislation applies. The act makes no provision for joint ownership in such a case and the rules are based on the consideration of the employee’s duties. This means more than just their duties under their contracts of employment: consideration of actual duties performed by the employee is necessary.

(a) ‘Normal’ employees – where the employee is not one of a particularly high status within the organisation, the two stages in considering ownership of an invention are:

(1) what are the employee’s normal duties?

(2) would the invention reasonably be expected to result from the discharge of those duties?

To the extent that the employee’s contract of employment says anything different from this it is void.

The test is an objective one: the court will consider whether the employee has made other inventions, if so, whether he or she has done so recently and whether they are in a similar technical field. The court will also consider whether equivalent employees are also in the habit of making inventions.

(b) Higher status employees – where the employee is one of a relatively high status, the tests to be applied are:

(1) whether the invention was made in the performance of the employee’s duties;

(2) would the responsibilities of the employee render it inconsistent for the employee to hold the invention for him or herself? This raises the question of whether the employee has a special obligation to further interests of the employer’s business (Reiss Engineering v Harris (1987)).

Disputes over the ownership of an invention may be dealt with by the High Court or the Patents County Court which may issue a declaration. Alternatively the Patent Office has a mechanism for resolving such disputes.

Where the invention in question has been patented, claims of ownership are limited after two years from the grant of the patent. Section 40 provides:

Where it appears to the court or the comptroller on an application made by an employee within the prescribed period that the employee has made an invention belonging to the employer for which a patent has been granted, that the patent is (having regard among other things to the size and nature of the employer’s undertaking) of outstanding benefit to the employee should be awarded compensation to be paid by the employer, the court or the comptroller may award him such compensation of an amount determined under s 41 below.

Where it appears to the court or the comptroller on an application made by an employee within the prescribed period that:

- a patent has been granted for an invention made by and belonging to the employee;
- his rights in the invention, or in any patent or application for a patent for the invention, have since the appointed day been assigned to the employer or an exclusive licence under the patent or application has since the appointed day been granted to the employer;
- the benefit derived by the employee from the contract of assignment, assignation or grant or any ancillary contract (‘the relevant contract’) is inadequate in relation to the benefit derived by the employer from the patent; and
- by reason of those facts it is just that the employee should be awarded compensation to be paid by the employer in addition to the benefit derived from the relevant contract.
the court or the comptroller may award him such compensation of an amount
determined under s 41 below.

Subsections (1) and (2) above shall not apply to the invention of an employee
where a relevant collective agreement provides for the payment of
compensation in respect of inventions of the same description as that invention
to employees of the same description as that employee.

Subsection (2) above shall have effect notwithstanding anything in the relevant
contract or any agreement applicable to the invention (other than any such
collective agreement).

If it appears to the comptroller on an application under this section that
application involves matters which would more properly be determined by the
court, he may decline to deal with it.

In this section:

‘the prescribed period’, in relation to proceedings before the court, means
the period prescribed by rules of court, and
‘relevant collective agreement’ means a collective agreement within the
meaning of the Trade Union and Labour Relations (Consolidation) Act
1992, made by or on behalf of a trade union to which the employee
belongs, and by the employer or an employers’ association to which the
employer belongs which is in force at the time of the making of the
invention.

References in this section to an invention belonging to an employer or
employee are references to it so belonging as between the employer and the
employee.

41 AMOUNT OF COMPENSATION

An award of compensation to an employee under s 41(1) or (2) above in
relation to a patent for an invention shall be such as will secure for the
employee a fair share (having regard to all the circumstances) of the benefit
which the employer has derived, or may reasonably be expected to derive,
from the patent or from the assignment, assignation or grant to a person
connected with the employer of the property or any right in the invention or
the property in, or any right in or under, and application for the patent.

For the purposes of subsection (1) above the amount of any benefit derived or
expected to be derived by an employer from the assignment, assignation or
grant of:

the property in, or any right in or under, a patent for the invention or an
application for such a patent; or
the property or any right in the invention;
to a person connected with him shall be taken to be the amount which could
reasonably be expected to be so derived by the employer if that person had not
been connected with him.

Where the Crown or a Research Council in its capacity as employer assigns or
grants the property in, or any right in or under, an invention, patent or
application for a patent to a body having among its functions that of
developing or exploiting inventions resulting from public research and does so for no consideration or only a nominal consideration, any benefit derived from the invention, patent or application by that body shall be treated for the purposes of the foregoing provisions of this section as so derived by the Crown or, as the case may be, Research Council.

In this subsection ‘Research Council’ means a body which is a Research Council for the purposes of the Science and Technology Act 1965.

In determining the fair share of the benefit to be secured for an employee in respect of a patent for an invention which has always belonged to an employer, the court or the comptroller shall, among other things, take the following matters into account, that is to say:

- the nature of the employee’s duties, his remuneration and other advantages he derives or has derived from this employment or has derived in relation to the invention under this Act;
- the effort and skill which the employee has devoted to making the invention;
- the effort and skill which any other person has devoted to making the invention jointly with the employee concerned, and the advice and other assistance contributed by any other employee who is not a joint inventor of the invention; and
- the contribution made by the employer to the making, developing and working of the invention by the provision of advice, facilities and other assistance, by the provision of opportunities and by these managerial and commercial skills and activities.

In determining the fair share of the benefit to be secured for an employee in respect of a patent for an invention which originally belonged to him, the court or the comptroller shall, among other things, take the following matters into account, that is to say:

- any conditions in a licence or licences granted under this Act or otherwise in respect of the invention or the patent;
- the extent to which the invention was made jointly by the employee with any other person; and
- the contribution made by the employer to the making, developing and working of the invention as mention in subsection (4)(d) above.

Note that such inventions may have design and copyright aspects which are not dealt with by the rules of the Patents Act. If this is the case, it may be necessary to obtain separate assignments of those rights.
CHAPTER FOUR

SUBJECT-MATTER OF COPYRIGHT

Copyright, Designs and Patents Act 1988

Section 1

(1) Copyright is a property right which subsists in accordance with this part in the following descriptions of work:
   (a) original literary, dramatic, musical or artistic works;
   (b) sound recordings, films, broadcasts or cable programmes; and
   (c) the typographical arrangement of published editions.

(2) In this part ‘copyright work’ means a work of any of those descriptions in which copyright subsists.

(3) Copyright does not subsist in a work unless the requirements of this part with respect to qualification for copyright protection are met (see s 153 and the provisions referred to there).

The purpose of copyright

Without copyright, there would be no incentive for creative individuals to write novels, paint pictures or compose music. Nor would there be any incentive for publishers, broadcasters and record companies to invest in the exploitation of those works. Creating a property right in these matters enables them to be traded and permits copyright owners to earn money from their work.

Of course, a lack of copyright protection would not cause creativeness to dry up altogether. Great writers and artists would still be moved to make new work. Even in recent times, Solzhenitsyn did not write The Gulag Archipelago for financial gain: his motivation, like that of most great artists, was higher. But copyright – originally confined to literature, music and fine art – has come to protect a wide range of what are often referred to as ‘small coin’ (from the German, kleine Münze) works. The law of copyright does not seek to distinguish between a technical drawing of an exhaust pipe and a sketch by Picasso, or between The Gulag Archipelago and the most mundane book on, say, intellectual property law.

The economics of the law of copyright are described in this article by William Landes and Richard Posner, ‘An Economic Analysis of Copyright Law’ (1989) 18 JLS 325. Note that the central section, which sets out the
mathematical model that they base the discussion on, has been omitted: the author does not intend to inflict on readers material that he finds incomprehensible. Students able to handle differential calculus might like to locate the original in the Journal of Legal Studies (footnotes omitted).

Intellectual property is a natural field for economic analysis of law, and copyright is an important form of intellectual property. Yet while there are good introductions to the economics of copyright law, and a number of excellent articles on the economics of copying (as distinct from copyright law), no article examines the field of copyright as a whole, discussing the evolution and major doctrines in the law from an economic standpoint. This article, which is in the spirit of our recent articles on the economics of trademark law, tries to fill this gap – although the field is so vast that our analysis cannot be exhaustive. As in most of our work, we are particularly interested in positive analysis, and specifically in the question to what extent copyright law can be explained as a means for promoting efficient allocation of resources.

A distinguishing characteristic of intellectual property is its ‘public good’ aspect. While the cost of creating a work subject to copyright protection – for example, a book, movie, song, ballet, lithograph, map, business directory, or computer software program – is often high, the cost of reproducing the work, whether by the creator or by those to whom he has made it available, is often low. And once copies are available to others, it is often inexpensive for these users to make additional copies. If the copies made by the creator of the work are priced at or close to marginal cost, others may be discouraged from making copies, but the creator’s total revenues may not be sufficient to cover the cost of creating the work. Copyright protection – the right of the copyright’s owner to prevent others from making copies – trades off the costs of limiting access to a work against the benefits of providing incentives to create the work in the first place. Striking the correct balance between access and incentives is the central problem in copyright law. For copyright law to promote economic efficiency, its principal legal doctrines must, at least approximately, maximise the benefits from creating additional works minus both the losses from limiting access and the costs of administering copyright protection.

Section 1 develops the basic economic model of copyright protection, including an analysis of the optimal degree of that protection. Section 2 applies the model to the principal doctrines of copyright law. It considers such questions as the originality requirement for copyright protection, the distinction between ideas and expression, the absence of copyright protection for utilitarian works, the protection of derivative works, and issues of fair use.

1. THE BASIC ECONOMICS OF COPYRIGHT

We begin with the factors – including, of course, copyright protection – that determine the number of works created. Then we examine the exploitation of the created work – the number of copies and the price per copy. Last, we incorporate the important features of our discussion into a model of the optimal degree of copyright protection.
A. Number of works as a function of copyright and other factors

1. General considerations

The cost of producing a book or other copyrightable work (we start by talking just about books and later branch out to other forms of expression) has two components. The first is the cost of creating the work. We assume that it does not vary with the number of copies produced or sold, since it consists primarily of the author’s time and effort plus the cost to the publisher of soliciting and editing the manuscript and setting it in type. Consistent with copyright usage we call the sum of these costs the ‘cost of expression.’

To simplify the analysis, we ignore any distinction between costs incurred by authors and by publishers, and therefore use the term ‘author’ (or ‘creator’) to mean both author and publisher. In doing this we elide a number of interesting questions involving the relation between author and publisher. For example, do such principles as droit moral, entitling authors to reclaim copyright from assignees after a fixed period of years or entitling artists to royalties on resales of their art by initial (or subsequent) purchasers, increase or reduce the incentive to create new works? The answer suggested by economic analysis is that, contrary to intuition, such principles reduce the incentive to create by preventing the author or artist from shifting risk to the publisher or dealer. A publisher (say) who must share any future speculative gains with the author will pay the author less for the work, so the risky component of the author’s expected remuneration will increase relative to the certain component. If the author is risk averse, he will be worse off as a result. However, we do not explore such matters in this article.

The second component of the cost of producing a work increases with the number of copies produced, for it is the cost of printing, binding, and distributing individual copies. The cost of expression does not enter into making of copies because, once the work is created, the author’s efforts can be incorporated into another copy virtually without cost.

For a new work to be created, the expected return – typically, and we shall assume exclusively, from the sale of copies – must exceed the expected cost. The demand curve for copies of a given book is, we assume, negatively sloped because there are good but not perfect substitutes for a given book. The creator will make copies up to the point where the marginal cost of one more copy equals its expected marginal revenue. The resulting difference between price and marginal cost, summed over the number of copies sold, will generate revenues to offset the cost of expression. Since the decision to create the work must be made before the demand for copies is known, the work will be created only if the difference between expected revenues and the cost of making copies equals or exceeds the cost of expression. If we assume that the cost of creating (equivalent) works differs among authors, the number of works created will increase until the returns from the last work created just covers the (increasing) cost of expression.

Two qualifications should be noted. First, for many types of intellectual property some price discrimination may be possible because individual works are not perfect substitutes and arbitrage is preventable. Thus, a book publisher will commonly charge higher prices for hardcover editions and later reduce
the price for persons willing to wait for the paperback edition to appear. Similarly, the prices charged by exhibitors for first-run movies will generally be higher than the prices in the aftermarket (cable viewing, video cassettes, and network television). Price discrimination increases revenue and thus the number of works produced, though it may not increase the number of copies of each work. Second, the demand for copies of a given work depends not only on the number of copies but on the number of (competing) works as well. The greater the number of such works (past and present), the lower the demand for any given work. Thus, the number of works and the number of copies per work will be determined simultaneously, and the net effect of this interaction will be to reduce the number of works created.

This description of the market for copies and the number of works created assumes the existence of copyright protection. In its absence anyone can buy a copy of the book when it first appears and make and sell copies of it. The market price of the book will eventually be bid down to the marginal cost of copying, with the unfortunate result that the book probably will not be produced in the first place, because the author and publisher will not be able to recover their costs of creating the work. The problem is magnified by the fact that the author’s cost of creating the work, and many publishing costs (for example, editing costs), are incurred before it is known what the demand for the work will be. Uncertainty about demand is a particularly serious problem with respect to artistic works, such as books, plays, movies, and recordings. Even with copyright protection, sales may be insufficient to cover the cost of expression and may not even cover the variable cost of making copies. Thus, the difference between the price and marginal cost of the successful work must not only cover the cost of expression but also compensate for the risk of failure. If a copier can defer making copies until he knows whether the work is a success, the potential gains from free riding on expression will be even greater, because the difference between the price and marginal cost of the original work will rise to compensate for the uncertainty of demand, thus creating a bigger profit potential for copies. So uncertainty generates an additional disincentive to create works in the absence of copyright protection.

Practical obstacles limit copying the original works of others even in the absence of any copyright protection. But these obstacles, while serious in some cases, can easily be exaggerated. When fully analysed, they do not make a persuasive case for eliminating copyright protection.

1. The copy may be of inferior quality, and hence not a perfect substitute for the original. In the case of books and other printed matter, the copier may not be able to match the quality of paper or binding of the original or the crispness of the printing, and there may be errors in transcription. None of these is an important impediment to good copies any longer, but in the case of works of art – such as a painting by a famous artist – a copy, however accurate, may be such a poor substitute in the market that it will have no negative effects on the price of the artist’s work. Indeed, the copy may have a positive effect on that price, by serving as advertising for his works. On the other hand, it may also deprive him of income from selling derivative works – the copies of his paintings – himself. (More on derivative works shortly.) To generalise, when either the cost of making
Copyright

equivalent copies is higher for the copier than for the creator or the copier’s product is a poor substitute for the original, the originator will be able to charge a price greater than his marginal cost, even without legal protection. And, obviously, the greater the difference in the costs of making copies and in the quality of copies between creator and copier (assuming the latter’s cost is higher or quality lower), the less need there is for copyright protection.

2. Copying may itself involve some original expression – as written the copy is not a literal copy but involves paraphrasing, deletions, marginal notes, and so on – and so a positive cost of expression. The copier may incur fixed costs as well, for example costs of rekeying the words from the copy he bought or of photographing them. Still, we would expect the copier’s average cost to be lower than the creator’s because it will not include the author’s time or the cost of soliciting and editing the original manuscript. Nevertheless, when the copier cannot take a completely free ride on the creator’s investment in expression and his other fixed costs, the need for copyright protection is reduced.

Between the literal copier and the author who makes no use whatever of previous works, three additional types of producer can be distinguished. One is the author who makes at least some, but perhaps modest, use of previous works; most authors are of this type. Next is the author of a derivative work, that is, a work that draws very heavily on previous works, though the derivative work involves some original elements. Third is the unoriginal copier who nevertheless tries to complicate the author’s task of proving infringement by differentiating the copied work from the original in minor ways. Derivative works and infringement are discussed in §11; the author who makes some use of previous works figures prominently in our formal analysis, along with the literal copier.

3. Copying takes time, so there will be an interval during which the original publisher will not face competition. This point, which is related to the first because generally the cost of production is inverse to time, has two implications for the analysis of copyright law. First, because modern technology has reduced the time it takes to make copies as well as enabled more perfect copies to be made at low cost, the need for copyright protection has increased over time. Second, for works that are faddish – where demand is initially strong but falls sharply after a brief period – copyright protection may not be as necessary in order to give the creator of the work a fully compensatory return.

4. There are contractual alternatives to copyright protection for limiting copying. One is licensing the original work on condition that the licensee not make copies of it or disclose it to others in a way that would enable them to make copies. But contractual prohibitions on copying may, like trade secrets, be costly to enforce and feasible only if there are few licensees. Where widespread distribution is necessary to generate an adequate return to the author or where the work is resold or publicly performed, contractual prohibitions may not prevent widespread copying. Thus, the greater the potential market for a work, the greater the need for copyright protection.
The development of radio, television, and the phonograph has expanded the market for copies and thereby increased the value of copyright protection.

5. Since a copier normally must have access to a copy in order to make copies, the creator may be able to capture some of the value of copies made by others by charging a high price for the copies he makes and sells. For example, a publisher of academic journals may be able to capture part of the value that individuals obtain from copying articles by charging a higher price for the journal – especially to libraries; or a record company may be able to charge a higher price because of home taping. Although this possibility limits the need for copyright protection, it does not eliminate it. If one can make many copies of the first copy, and many copies of subsequent copies, the price of copies will be driven down to marginal cost and the creator will not be able to charge a sufficiently higher price for his copy to capture its value in allowing others to make more copies; no one (except the first copier and the most impatient readers) will buy from him rather than from a copier.

6. Many authors derive substantial benefits from publication that are over and beyond any royalties. This is true not only in terms of prestige and other non-pecuniary income but also pecuniary income in such forms as a higher salary for a professor who publishes than for one who does not, or greater consulting income. Publishing is an effective method of self-advertisement and self-promotion. The norms against plagiarism (that is, against copying without giving the author credit) reinforce the conferral of prestige by publishing; to the extent that those norms are effective, they ensure that the author will obtain recognition, if not always royalties, from the works he publishes.

Such points have convinced some students of copyright law that there is no need for copyright protection. Legal rights are costly to enforce – rights in intangibles especially so – and the costs may outweigh the social gains in particular settings. Perhaps copyright in books is one of them. After all, the first copyright law in England dates from 1710 (and gave much less protection than modern copyright law), yet publishing had flourished for hundreds of years in England despite censorship and widespread illiteracy. The point is a little misleading, however. In the old days, the costs of making copies were a higher fraction of total cost than they are today, so the problem of appropriability was less acute. Also, there were alternative institutions for internalising the benefits of expression. And before freedom of expression became generally applauded, publishing was often believed to impose negative externalities – so there was less, sometimes no, desire to encourage it. Finally, while it may be difficult to determine whether, on balance, copyright is a good thing, it is easy to note particular distortions that a copyright law corrects. Without copyright protection, authors, publishers, and copiers would have inefficient incentives with regard to the timing of various decisions. Publishers, to lengthen their head start, would have a disincentive to engage in prepublication advertising and even to announce publication dates in advance, and copiers would have an incentive to install excessively speedy production lines. There would be increased incentives to create faddish, ephemeral, and
otherwise transitory works because the gains from being first in the market for such works would be likely to exceed the losses from absence of copyright protection. There would be a shift toward the production of works that are difficult to copy; authors would be more likely to circulate their works privately rather than widely, to lessen the risk of copying; and contractual restrictions on copying would multiply.

A neglected consideration – one that shows not that copyright protection may be unnecessary but that beyond some level copyright protection may actually be counterproductive by raising the cost of expression – will play an important role both in our model and in our efforts to explain the salient features of copyright law. Creating a new work typically involves borrowing or building on material from a prior body of works, as well as adding original expression to it. A new work of fiction, for example, will contain the author’s expressive contribution but also characters, situations, plot details, and so on, invented by previous authors. Similarly, a new work of music may borrow tempo changes and chord progressions from earlier works. The less extensive copyright protection is, the more an author, composer, or other creator can borrow from previous works without infringing copyright and the lower, therefore, the costs of creating a new work. Of course, even if copyright protection effectively prevented all unauthorised copying from a copyrighted work, authors would still copy. But they would copy works whose copyright protection had run out, or they would disguise their copying, engage in costly searches to avoid copying protected works, or incur licensing and other transaction costs to obtain permission to copy such works. The effect would be to raise the cost of creating new works – the cost of expression, broadly defined – and thus, paradoxically, perhaps lower the number of works created.

Copyright holders might, therefore, find it in their self-interest, ex ante, to limit copyright protection. To the extent that a later author is free to borrow material from an earlier one, the later author’s cost of expression is reduced; and, from an ex ante viewpoint, every author is both an earlier author from whom a later author might want to borrow material and the later author himself. In the former role, he desires maximum copyright protection for works he creates; in the latter, he prefers minimum protection for works created earlier by others. In principle, there is a level of copyright protection that balances these two competing interests optimally – although notice that the first generation of authors, having no one to borrow from, will have less incentive to strike the optimal balance than later ones. We shall see in §2 that various doctrines of copyright law, such as the distinction between idea and expression and the fair use doctrine, can be understood as attempts to promote economic efficiency by balancing the effect of greater copyright protection – in encouraging the creation of new works by reducing copying – against the effect of less protection – in encouraging the creation of new works by reducing the cost of creating them.

...
2. APPLICATIONS

A. The nature of copyright protection

Our task now is to use our model to explain the principal features of copyright law. We begin with the nature of the protection that a copyright gives its owner. In contrast to a patent, a copyright merely gives protection against copying; independent (that is, accidental) duplication of the copyrighted work is not actionable as such. In speaking of ‘independent [accidental, inadvertent] duplication’ we are addressing only the problem of an independent recreation of the original copyrighted work. The accidental use of someone else’s work might be thought of as duplication, but in that context liability for infringement is strict, much as it is for the trespass on a neighbour’s land made by a person who thinks that he owns it. The more difficult question is to explain why duplication in the sense of independent recreation is not actionable. Our analysis suggests two possible explanations. The first is the added cost to the author of checking countless numbers of copyrighted works to avoid inadvertent duplication. The costs (if actually incurred – a qualification whose significance will become apparent shortly) would increase $e(z)$ and lower social welfare because both net welfare per work $(w_0 - e(z))$ and the number of works created would fall. True, the author’s gross revenues might rise if the reduction in the amount of accidental duplication raised the demand for copies or made that demand less elastic. But since accidental duplication of copyrighted works is rare (except in the area of popular music, discussed below), the net effect of making it unlawful would be to lower social welfare.

In contrast to copyright, accidental infringements of patents are actionable, and the difference makes economic sense. A patent is issued only after a search by the applicant and by the Patent Office of prior patented inventions. This procedure is feasible because it is possible to describe an invention compactly and to establish relatively small classes of related inventions beyond which the searchers need not go. The procedure makes it relatively easy for an inventor to avoid accidentally duplicating an existing patent.

No effort is made by the Copyright Office to search copyrighted works before issuing a copyright, so copyright is not issued but is simply asserted by the author or publisher. There are billions of pages of copyrighted material, any one page of which might contain a sentence or paragraph that a later writer might, by pure coincidence, duplicate so closely that he would be considered an infringer if he had actually copied the words in question or if copying were not required for liability. What is unfeasible for the Copyright Office is also unfeasible for the author. He cannot read all the copyrighted literature in existence (in all languages, and including unpublished works!) in order to make sure that he has not accidentally duplicated some copyrighted material.

The cost of preventing accidental duplication would be so great, and the benefits in terms of higher revenues (and so the amount of damages if such duplication were actionable) so slight because such duplication is rare, that even if it were actionable no writer or publisher would make much effort to avoid accidental duplication, so the increase in the cost of expression would probably be slight. But social welfare would be reduced somewhat. At best we would have a system of strict liability that had no significant allocative effect;
and as explained in the literature on negligence and strict liability in tort law, the costs of enforcing such a regime are socially wasted because their only product is an occasional redistribution of wealth (here that would be from the accidental ‘infringer’ to the first author or publisher of the material duplicated).

The second reason we expect accidental duplication not to be made unlawful derives from the economic rationale for copyright protection, which is to prevent free riding on the author’s expression. Accidental duplication does not involve free riding. Since the second work is independently created, its author incurs the full cost of expression. If the works are completely identical – a remote possibility, to say the least – competition between the two works could drive the price of copies down to marginal cost and prevent either author from recovering his cost of creating the work. It is more likely that significant differences between the two works will remain, so that both authors may be able to earn enough to cover their respective costs of expression – particularly if neither author is the marginal author, whose gross revenues would just cover the cost of expression in the absence of accidental duplication.

Although for simplicity our analysis focuses on copyright protection for literature and other written works, it is applicable, *mutatis mutandis*, to other forms of expression as well. A significant difference between literary and musical copyright is that courts hold that accidental duplication may infringe a songwriter’s copyright if his song has been widely performed. Since most popular songs have simple melodies and the number of melodic variations is limited, the possibility of accidental duplication of several bars is significant. Widespread playing of these songs on the radio makes it likely that the second composer will have had access to the original work, which both increases the likelihood of accidental duplication and reduces the cost of avoiding it. If proof of intentional duplication were required for infringement, composers of popular songs would have little copyright protection and social welfare would fall.

This result may appear to show that musical copyright follows the pattern of patent law rather than of literary copyright, but the appearance is deceptive. Two forms of ‘accidental’ duplication of a copyrighted work must be distinguished. The first is independent creation: the duplicator makes no use, direct or indirect, of the copyrighted work. Such a duplicator is never an infringer. The second is unconscious borrowing. Unlike the independent creator, the unconscious borrower is a free rider, and is therefore properly deemed an infringer. Musical copyright is special only in that unconscious borrowing is more likely in the musical than in the literary realm.

To distinguish between copying and independent duplication, the courts use an implicit indifference-curve analysis in which access is traded off against similarity. Where there is a strong showing of similarity, it is more likely that the original work was copied and less likely that it was independently created (particularly for complicated works, in contrast to, say, a few bars of a popular melody). In such a case, the copyright owner can prevail even if he presents only weak evidence that the defendant had access to the original work. On the other hand, where the differences between the original work and its ‘copy’ are substantial, the copyright owner will normally have to provide strong evidence of access to rebut the defence of independent creation.
B. The scope of protection

The most difficult economic questions about copyright law have to do with the scope of legal protection. We shall discuss these under the headings of (1) idea versus expression, (2) derivative works, and (3) fair use.

1. Idea versus expression

1) The economic rationale for not protecting ideas. A copyright protects expression but not ideas. Postponing to the next section the problem of distinguishing between the two, we offer several reasons for the difference in treatment.

a) Suppose that the N works in our model express the same idea differently; for example, each work might be a different novel about a romance between young people who belong to different social classes or religious faiths and whose parents are feuding. If copyright protected the first author’s idea, the cost of expression to each of the remaining N – 1 authors would increase, because each would have to invest time and effort in coming up with an original idea for his work, or to substitute additional expression for the part of his idea that overlapped the first author’s, or to incur licensing and other transaction costs to obtain the right to use the first author’s idea. The net effect of protection would be to reduce the number of works created – in the limit, to one, although the Coase Theorem makes this outcome unlikely – so that social welfare in equation (16) would fall. Granted, the copiers’ cost would also rise if a copyright protected ideas, because copiers use not only the author’s expression but also his ideas. However, this offset is likely to be small. Copiers are copying expression either unlawfully, in which case the marginal deterrence from protecting ideas is likely to be small, or lawfully, for example, because their copying is deemed a fair use. In either case, copyright protection for ideas would have a negligible effect on the copier’s cost of copying. Even if protection did increase the gross profits of the N – 1 authors and thus offset partially the reduction in N, social welfare would fall because both N and welfare per work would fall.

The traditional explanation for protecting only expression emphasises the welfare losses from monopoly of an idea. We emphasise the increase in the cost of creating works and the reduction in the number of works rather than the higher price (per copy) that is normally associated with monopoly. In a more complicated model the demand for copies would depend not only on the number of copies (our model) but also on the number of competing works. In that case, protecting ideas would raise the price of copies.

b) The author is both a user of ideas developed by others and a creator of new ideas. Suppose our N authors did not know which one would be the first to come up with an idea that the other N – 1 authors would use. Since (as we shall see in the next section) the costs involved in coming up with the kind of new idea normally embodied in an expressive work usually are low relative to the costs in time and effort of expressing the idea, and since the originator of the idea will
probably obtain a normal return in one form or another from being first in the market even without receiving copyright protection, the N authors, behind a veil of ignorance, probably would agree unanimously (or nearly so) to a rule that protected expression but not ideas. If so, then that rule would be Pareto optimal.

c) Another objection to copyright protection of ideas is that it would encourage rent-seeking. Since the costs of developing a new idea are likely to be low in most cases relative to the potential reward from licensing the idea to others, there would be a mad rush to develop and copyright ideas. Resources would be sucked into developing ideas with minimal expression, and the ideas thus developed would be banked in the hope that a later author would pay for their use. Although the development of new ideas would be accelerated, the dissemination of ideas might not be.

d) A final concern is with the administrative costs involved in defining rights in ideas. Courts would have to define each idea, set its boundaries, determine its overlap with other ideas, and, most difficult of all, identify the idea in the work of the alleged infringer. Yet the total administrative and enforcement costs of operating a copyright system might actually shrink if ideas were protected, because of the significant reduction in the number of works created. Since the optimal level of copyright protection for expression takes account of the costs of enforcement, our first point – the decline in social welfare from fewer works – incorporates the savings in administrative and enforcement costs from few works. The present point, therefore, concerns the increase in these costs if the number of works is held constant.

2) *Distinguishing ideas from expression*. Although the line between expression and idea is often hazy, there are clear cases on both sides of it. If an author of spy novels copies a portion of an Ian Fleming novel about James Bond, he is an infringer. If, inspired by Fleming, he decides to write a novel about a British secret agent who is a *bon vivant*, he is not an infringer. If an economist reprints Professor Coase’s article on social cost without permission, he is an infringer; but if he expounds the *Coase Theorem* in his own words, he is not.

In both of these cases the original work (novel or article) is the joint output of two types of input, only one of which is protected by copyright law. In the case of the novel, the reason for the limited protection is easily seen. The novelist creates the novel by combining stock characters and situations (many of which go back to the earliest writings that have survived from antiquity) with his particular choice of words, incidents, and *dramatis personae*. He does not create the stock characters and situations, or buy them. Unlike the ideas for which patents can be obtained, they are not new and the novelist acquires them at zero cost, either from observation of the world around him or from works long in the public domain. Most works of fiction that anyone would want to copy are intended for a mass audience – which means they *must* use stock characters and situations in order to be understood. To give the author of a work embodying such characters or situations (‘idea’ in copyright lingo) copyright protection...
beyond the form in which he moulds them into a particular novel or story (‘expression’) would increase the cost of expression of later authors without generating offsetting benefits.

This discussion helps to show why, in the first part of our discussion of ideas versus expression, we disparaged the welfare benefits from creating property rights to ideas. What passes for ‘ideas’ in the case of most expressive writing normally is not comparable to the sort of inventions, costly to develop, that receive protection under the patent laws. An alternative to distinguishing between ideas and expression, therefore, would be to confine copyright protection to original works, or to a work in so far as it was original, much as in the case of patent law. The problem is that originality or novelty is an even more debatable quality of fiction than of mechanical and other technical processes. If copyright protection depended on originality, authors and publishers would find it hard to know in advance of litigation whether they actually had a property right.

In the case of Professor Coase, the reason for confining copyright protection to the form in which he expressed the Coase Theorem, and not extending it to the theorem itself, is less obvious. The theorem was not obtained at zero cost but reflected extensive education and thought. Also, it is clearly original. But precisely because the theorem is a powerful analytical construct, copyright protection would yield the inventor a very large income over and above the considerable non-pecuniary (as well as indirect pecuniary) income that accrues to a major theoretician. The total income would, in all likelihood, exceed the cost of inventing the theorem, thus creating a problem of rent-seeking. Moreover, the cost of copyright enforcement would be much greater than in the case where the article itself was copied. It would often be hard to tell whether an article in economics was really using the Coase Theorem; the author (if he did not want to pay a royalty) would make every effort to explain his results in different terms. Furthermore, mathematical and scientific (including social scientific) ideas often are discovered simultaneously, or nearly so; this would make it difficult to determine whether an alleged infringer was a copier or an independent inventor.

3) The merger of ideas and expression. By this locution we refer to cases where there are only a few ways of expressing an idea, so that protecting expression fully would, as a practical matter, prevent anyone but the author from using the idea. In such cases, copyright protection is construed narrowly, as we would predict. The classic case is Baker v Selden. Selden had published a book describing a book-keeping system that he had invented, and he illustrated the book with blank book-keeping forms. Baker copied the forms, rearranging columns and using different headings, and sold them to people who wanted to use Baker’s system. This was held not to be infringement, since otherwise Selden would have had a monopoly over his book-keeping system that he could have exploited by insisting that anyone wanting to use the system buy the forms necessary for using it from him.

It might seem that without copyright protection Selden could not have prevented Baker even from copying Selden’s book, but this is not correct. If
Baker had published a book in which he copied verbatim (or by close paraphrase) the expository portions of Selden’s book, he would have been guilty of infringement. If he wanted to sell the forms together with explanatory material, he had to write that material himself. The expressive part of Selden’s book was protected.

Is this the optimal result? On the one hand, denying Selden the right to copyright his forms may have prevented him from recouping the expense in time and effort of inventing a new book-keeping system. On the other hand, there are other ways he could have cashed in on such a notable commercial innovation; and granting him such copyright protection might have overcompensated him (and thus created a danger of rent-seeking) as well as have created deadweight losses in the market for account forms, by raising the price of those forms above their cost by the amount of royalty that he charged for permission to use his copyright.

The scope of the rule of *Baker v Selden* is an issue in the current controversy over whether copyright protection for computer software extends to the visual ‘desktop’ on which the computer operator views ‘icons’ representing documents, files, programs, and so on, and to the organisation and sequence by which the operator is led through a program. Because a given desktop display or program sequence can be generated by a variety of different programs, the program copyright itself does not cover these visual aspects of computer use. The question is whether they are separately copyrightable by analogy to a painting or visual display that could be generated by a variety of different processes too. The argument against copyrightability is that the visual aspects in question have become so standardised in the computer market that copyright protection would enable the copyright holder as a practical matter to exclude competing manufacturers of computers. The counter argument is that the ‘idea’ is the display of documents or other data, or sequences of stops, on a screen, and the ‘expression’ the particular visual symbology. The mere fact that a particular set of symbols has become the industry standard is a tribute to the expressive skills of the particular manufacturer and should not be deemed to convert expression into idea.

We hope the debate will be resolved not by the semantics of the words ‘idea’ and ‘expression’ but by the economics of the problem and, specifically, by comparing the deadweight costs of allowing a firm to appropriate what has become an industry standard with the disincentive effects on originators if such appropriation is forbidden. These disincentive effects may be small. The probability that a particular display format will become the industry standard is small; presumably there are significant returns over and above copyright to a firm that achieves such a position; and the narrowly expressive aspects of the display are protected, thus limiting the effect of free riding.

Another contemporary application of *Baker v Selden* concerns copyright of architects’ plans. The plans themselves can be copyrighted, and if they are then copied without authorisation the copier is an infringer. But what if someone copies not the blueprints but the building built from them? Is he
an infringer? The law’s answer is ‘no.’ The economic explanation is that a building is functional as well as formal or decorative, so that if the architect could prevent the copying of the design elements visible in the building he would have much fuller property-right protection than copyright law (with its very long term) envisages. The analogy to the principle that denies trademark protection to ‘functional’ trademarks (for example, trademarks in features, such as shape, that may be essential to the operation as well as appearance of the trademarked product) should be evident. Notice the close analogy to the computer-software problem. The building built without the aid of the architect’s plans corresponds to the desktop display generated without access to the originator’s software. In both cases, the originator’s property right is measured by the savings in cost of duplication that the copier could obtain by taking out a licence from the originator.

Returning once more to the Coase example, notice that while in Baker v Selden expression was incidental to idea, that is not true of Coase’s article, in which, besides announcing the theorem, Coase gave illustrations of it, compared it with previous approaches, defended it, and discussed its implications for law, economics, and public policy.

A difficult problem in distinguishing ideas from expression is posed by technique, which we view as intermediate between idea and expression. The main illustrations are in literature and the arts, and include the sonnet form, stream-of-consciousness writing, the five-act play, perspective in painting, the pointed arch, and serial composition in music. The law assimilates techniques to idea and so denies copyright protection. Another reason besides the monopoly profits that such protection would yield in many cases is that technique is harder to copy well than a work embodying the technique. It is easy to copy someone else’s sonnet – but try writing one! With copies likely to be costly, slow to appear, and imperfect, the originator of a technique will be able to recoup some and perhaps all of his fixed costs even if he has no property right in the technique, as opposed to a right in his own works embodying the technique.

In between works of fiction on the one hand, and works in which expression is largely or entirely merged into ideas (Baker v Selden) on the other hand, are works of non-fiction. The facts that form the subject-matter of such a work may or may not dictate the expression; if they do it is a case of merger, and copyright protection should be denied. The classic example is narrative history. The first author of a history of the US should not be allowed to copyright the sequence of events narrated, since that would preclude any subsequent author from writing a narrative history of the US covering the same period as the first author. The argument against copyright protection in this case is even stronger than in a case like Baker v Selden. The historian has not, of course, invented the facts of history that constitute the subject-matter of his work – although it would not be correct to say that he acquired them at zero cost; he may have made a substantial investment in research and study.

2. Derivative works
A derivative work is translation into a different language or medium. Illustrations include a German translation of an English play, the movie version of a play, photographs of a painting, a wind-up Mickey Mouse doll, and a porcelain plate with scenes taken from a movie. The owner of a copyrighted work has a right to prevent the making of a derivative work and thus can sue the maker of an unauthorized derivative work for infringement of the original. He can also copyright the derivative work. Thus he has a monopoly of works derived from his copyrighted work. If, however, the original work is in the public domain, the creator of the derivative work can obtain a copyright of the derivative work, though not, of course, of the original.

The case for giving the owner of a copyrighted work a monopoly of its derivative works as well is a subtle one. It is not, as it might seem to be, to enable the original author, publisher, and so on, to recoup his fixed costs. By definition, the derivative work is an imperfect substitute; often it is no substitute at all. A person who is in the market for an original painting priced at $20,000 will not be interested in a $50 photograph of the painting. A German who cannot read English will not buy the English original if there is no German translation. There are exceptions, of course; for example, a movie based on a book might reduce or, more likely, expand the demand for the book. Even where there is no element of substitution or complementarity—that is, where the derivative work is not part of the copiers’ supply curve so that the demand faced by the author for the original is independent of the demand for the derivative work—giving the original author the exclusive right over derivative works will enhance his income. But the conferral of the right is not necessary in order to prevent his sales from being driven to zero. And since it is not certain that any copyright protection is necessary to enable authors and publishers to recover their fixed costs, it would be speculative to conclude that without control over derivative works authors and publishers would not be able to cover the fixed costs of the original work, though no doubt some works would not be created without the expectation of revenues from derivative works, just as some products would not be produced if producers were forbidden to price discriminate.

To understand the best economic case for giving the owner of the original control over derivative works, even if the demand for the work is unrelated to the demand for the original, one must first consider why derivative works should be copyrightable. Imagine the situation of the translator who was not permitted to obtain copyright protection for his contribution to the derivative work, viewed as the joint product of him and the original author. To translate The Brothers Karamazov into English is an enormously time-consuming task. If the translator could not obtain a copyright of the translation, he might be unable to recover the cost of his time; for anyone would be free to copy the translation without having incurred that cost and could undersell him at a profit.

This analysis may seem to imply that the derivative, not original, author should be allowed to copyright the derivative work. Not so. Such a rule could distort the timing of publication of both the original and derivative works. The original author, eager to maximise his income from the work, would have an incentive to delay publication of the original work until he had created the
derivative work as well (or arranged for its creation by licensees), in order to
gain a head start on any would-be author of such a work.

Another reason for giving the original author a monopoly of derivative works
is to reduce transaction costs. Suppose Dostoevsky’s heir owned the copyright
on the original Russian version of The Brothers Karamazov, but some American
owned the copyright on the English translation. A publisher who wanted to
bring out a new edition of that translation would have to deal with two
copyright holders. Transaction costs would be reduced if one person owned
both copyrights. Of course, even if they were separately owned to begin with,
one of the owners could buy the other’s copyright. But this transaction, with its
attendant costs, can be avoided if the law places the power to obtain both
copyrights in the same person to begin with – and that is, in effect, what the
law does.

If it is optimal for the original author to have the right to copyright derivative
works, why not just forbid copyright in derivatives of copyrighted works? A
copyright is just the right to exclude; if no one can copyright a derivative work,
anyone who makes such a work is an infringer of the original work – except, of
course, the author of the original work. Therefore, a rule that derivative works
are not copyrightable would give the original author the same legal protection
he would enjoy under a rule that allowed only the original author to copyright
a derivative work. Not quite, however. First, if the derivative work is made
shortly before the expiration of the copyright on the original work, the author
may lack an adequate incentive to create the derivative work unless it can be
copyrighted. Second, proof of infringement is simplified if the author can
enforce a copyright in a derivative work, for then there is no need to decide
whether the infringer’s derivative work is similar enough to the original to be
infringing. Third, by enabling the author’s property right to be subdivided, the
copyrightability of derivative works facilitates translations (compare time-
sharing and other subdividings of more conventional property rights). We give
an example below.

For obvious reasons, the derivative work must have some expressive elements
not found in the original work; otherwise it would be identical to the original
work. Suppose the derivative work is a wind-up Mickey Mouse doll that looks
just like the copyrighted Mickey Mouse comic strip characters: the commercial
success of the doll depends on its being an exact replica of the Walt Disney
character. Since this mechanical ‘translation’ of the figure into a new medium
involves no expression, copyright protection is not required to prevent free
riding by third parties, as it was in our example of an English translation of
Dostoevsky.

Now consider derivative works based on works in the public domain – for
example, a modern edition of Adam Smith’s Wealth of Nations. Here the case
for granting copyright protection to the derivative work is stronger, so we
would expect a weaker requirement of incremental expression than for
derivatives of copyrighted works. Since in such a case the original author (or
his heirs), lacking copyright, is not able to prevent free riding on the expression
contained in the derivative work, the incentive to create the derivative work
will be seriously impaired if the work is not copyrightable. In contrast, if the
original author’s copyright has not run out, no one can copy from the
derivative work without also copying from the original when the derivative
work adds very little in expression to the original, so the author of the
derivative work (normally the original author or his licensee) is protected.
Moreover, the problems associated with multiple copyright holders are
somewhat reduced when the derivative work is based on public domain
material. So arguments based on administrative and enforcement costs against
granting copyright protection are also weaker.
To determine the presence of incremental and, hence, copyrightable expression
requires comparison between the original and the derivative. Some courts
have required that the increment be significant, worrying that if it is set too
low, and if the original and derivative copyrights happen to be in different
hands (recall that one reason for allowing the copyrighting of derivative works
is to allow an unbundling of the original author's rights), the costs of
determining infringement could be prohibitive. If the derivative work is only
trivially different from the original, it may be impossible to determine whether
an infringing work was copied from (and hence infringed) the derivative work,
the original, or both. In addition, if the original and derivative works are barely
distinguishable (for example, translating John Steinbeck into ‘modern’
American prose), the benefits of legal protection in encouraging the creation of
new and distinct works may be trivial. But in making this point we are
abstracting from the case, illustrated by photography of works of art, where
the creativity of the derivative work consists precisely in the fidelity with
which it reproduces the impression created by the original.

3. Fair use

‘Fair use’ is a doctrine that allows some copying of a copyrighted work
without deeming the copier an infringer, even though the copyright holder has
not authorised the copying. The conventional view is that no general theory
can explain the cases that invoke the doctrine. Such a view is reinforced by
s 107 of the Copyright Act, which codified the fair use doctrine for the first
time, 17 USC § 106. Section 107 identifies a series of factors drawn from prior
judicial decisions – to be considered, such as purpose and character of use,
nature of copyrighted work, amount and substitutability of portion used, and
effect on potential market for copyrighted work, but leaves open the question
of their relative importance and how one uses them to determine whether a
use is fair. Our economic model, however, explains the major applications of
the fair use principle.

1) The high-transaction-cost case. Suppose that the costs of a voluntary
exchange are so high relative to the benefits that no such exchange is
feasible between a user of a copyrighted work and its owner. User A might
be willing to pay B (the copyright holder) a sum that B would gladly
accept to consent to the use of the work, but the cost of negotiating such a
licence may be prohibitive if, for example, all A wants to do is quote a brief
passage from B's work. A fair use privilege creates a clear benefit to A but
does not harm B. The copier here is neither a firm selling copies nor a
potential purchaser of copies, so his projected use affects neither the
supply of copies nor the demand for them.
Several qualifications are in order, though none undermines this important justification for fair use. First, although transaction costs are prohibitive in our example, we could substitute for the existing property-rights approach (which in the absence of the fair use doctrine would prevent A from making any use of B’s work) a liability rule under which the user would not have to negotiate with the copyright holder but would merely be required to pay damages (if any) ex post. However, the transaction costs of this approach would also be high relative to the potential benefits, such as the extra incentive to create the work. Often, users are numerous, and this would make for a high cost of arranging compensation and a large number of legal proceedings. Also, the potential fee (or damages) per user might be so small – perhaps zero – that enforcement proceedings would be unfeasible. A compulsory licensing scheme might be possible, but any such government regulation would be likely to entail substantial costs.

Second, fair use, if too broadly interpreted, might sap the incentive to develop innovative market mechanisms that reduce transaction costs and make economic exchanges between copyright holders and users feasible. The American Society for Composers, Authors, and Publishers (ASCAP) (or Broadcast Music, Inc [BMI], the other performing-rights organisation) is an illustrative market response to copyright problems caused by high transaction costs. The number of users (radio and TV stations, night clubs, and so on) of copyrighted music makes individual negotiations with copyright holders to acquire performance rights unfeasible. This problem is eliminated when ASCAP acquires non-exclusive fights from copyright holders and offers a blanket licence to users for an annual fee; this allows users to perform any songs in ASCAP’s repertory. Since performance distributions from ASCAP are an important part of composers’ incomes, a fair use exception for performance would greatly reduce the pecuniary incentive to compose music.

Third, even if there are many users and it is too costly to negotiate individual licences for part of the work, some users might be willing to purchase the entire work. Suppose you want to photocopy a chapter from a book. Although individual negotiations may be unfeasible, you might, if forbidden to photocopy the chapter, purchase the entire book.

These are not arguments against the fair use doctrine. They are arguments for construing it narrowly. Only if the benefits of the use exceed the costs of copyrighted protection – as they do not in the performing right case, given the economical method of conferring copyright through performing-rights organisations, and possibly not in the chapter photocopying case as well – is the no right/no liability solution of fair use defensible on pure transaction-cost grounds.

2) Book reviews. A standard example of fair use is the book review that quotes brief passages from the book being reviewed. Conventional legal analysis conceives the doctrine as striking a balance between the author’s interest in royalties and the interest of the reviewer and his readers in free access to limited portions of the work. The first stage of economic analysis reconceives the doctrine as economising on transaction costs, though they
Copyright

need not be prohibitive as in our previous discussion. Since book reviews are a substitute for advertising, the publisher presumably would ‘license’ reviewers to quote brief passages from the book for free. By giving reviewers, in effect, an automatic licence, the fair use doctrine avoids the costs of explicit transactions between publishers and reviewers that would yield the identical outcome. This is the theory by which ‘time-shifting’ home video recordings of copyrighted television programs were held in the Betamax case to be protected by the fair use doctrine.

A second stage of economic analysis begins by noting that a book or movie is an experience good rather than an inspection good, so that accurate pre-use information about product quality is likely to enlarge demand for these products. Yet if there were no fair use doctrine, a publisher might not allow quotation by reviewers apt to review a particular book unfavourably, or (what amounts to the same thing) might condition the licence on the reviewer’s deleting ‘excessively’ critical portions of the review. But it does not follow that publishers, as a class, would be better off under such a regime, since readers would tend to discount favourable reviews, knowing there was some probability that the favour had been procured by permission to quote the book. Ex ante, publishers are better off if reviewers are free to quote without permission; it makes reviews a credible form of book advertising. Even if publishers were made better off by retaining legal control over reviews, the consumers of books would be worse off. The suppression of an unfavourable review would be comparable to concealment by an ordinary seller of a defect in his goods.

3) Parody. One stage beyond the review is the parody, which copies the distinctive features of the original work in order to recall it to the reader. The reminding function is essential; without the reader’s awareness of the original, the parody will not be recognised as such and so will fall flat. One could view the parody as a derivative work, and give the author of the original work control over it, but this would enable the author of the original work to stifle what is often a particularly effective form of criticism – ridicule.

A difficult case is that of the non-critical parody, perhaps better described as ‘burlesque’ and well illustrated by Jack Benny’s famous burlesque of Gas Light. Benny was not attacking Gas Light any more than Abbott and Costello were attacking Frankenstein in Abbott and Costello Meet Frankenstein. Humorous but not ridiculing versions of the original, these burlesques are derivative works in a pure form, and modern copyright law gives the copyright holder the exclusive right to make such works. A derivative work is a substitute, though an imperfect one, for the original; it may therefore siphon revenues from the original work not by disparaging that work but by satisfying part of the demand for it. So maybe the law should try to distinguish between parody and burlesque and treat the latter but not the former as infringing. The difficulty of doing this should be obvious.

Yet the law may already be doing it implicitly by the emphasis it places on whether the allegedly infringing work is fulfilling the demand for the original work (which a parody does not do), if so it is a derivative work and infringing.
4) **Reducing the cost of creating works.** The question of fair use arises in another setting involving the permissible use that later authors can make of earlier works: deciding whether an allegedly infringing work is ‘substantially similar’ to the work which it is said to infringe. Answering this question requires a court to sort out the contribution to the new product of the original copyright holder and the alleged infringer. The inputs into a work of fiction (including movies, television plays, and so on) include characters, situations, plot details, and so on, invented by previous authors and not yet so standard or hackneyed that they are considered part of the elementary repertory of stock characters and situations on which all authors should be free to draw. When ‘substantial similarity’ is defined narrowly, the later author will be allowed to use these inventions without having to negotiate with the copyright holder. Courts refer to this as a productive fair use, as distinct from simply a reproductive use. A productive use is one that lowers the cost of expression and tends to increase the number of works, while a reproductive one simply increases the number of ‘copies’ of a given work, reduces the gross profits of the author, and reduces the incentives to create works. Not surprisingly, a fair use defence for a productive use is looked on more favourably than such a defence for a reproductive use.

Striking the right balance was a critical issue in our formal model, where we saw that if all borrowing from previously copyrighted works were deemed infringement, the number of new works (N) might fall. Whether the law has struck the right balance is not readily determinable, but the fact that the law denies protection for ideas and requires substantial, rather than some, similarity for infringement is evidence of implicit awareness of the problem.

**C. The optimal term of a copyright**

The usual economic argument for limiting the duration of a right in intellectual property is twofold. First, such a limitation reduces the potential monopoly profits (hence, rent-seeking and resource misallocation) from ownership of such a right. Second, it reduces tracing costs. Both reasons loom large in the patent area, which is why patents expire much sooner than either copyrights or trademarks. Patents confer larger potential gains than copyrights or trademarks, and (a related point) patented inventions are hard to keep track of over a long period of time because an invention (for example, the wheel) may eventually become embodied in a vast range of different products. Trademarks rarely confer any monopoly power. And they pose no tracing problem, because to be valid a trademark must be used in conjunction with a specific product that is actually being sold in the market; hence the term of a trademark is indefinite (that is, until abandonment – just as with real property and other tangible products).

Copyrights, too, rarely confer monopoly power, but there are two types of tracing problem, though neither is serious. First, it is hard to keep track of heirs over many generations. This is a potential problem with real estate as well, but is solved by having a registry of land titles. A similar system could be instituted for copyrights. Second, books may go out of print and older works in general may not be easily available. But this problem is solved by having a registry – the
Copyright Office – which retains copies of all copyrighted works. Moreover, since copyright just protects against copying, not independent duplication, a book or other work that is not widely available is simply less likely to be copied. Nevertheless, since the tracing cost is positive and grows with the amount of time that has elapsed since the publication of the copyrighted work, there is an argument for limiting the term of a copyright to the point at which the incentive effects of copyright become negligible because of the time value of money. Income prospects that lie 25 years in the future have little effect on present decisions, though not zero since people do make provisions for retirement more than 25 years in advance. The prospect of royalties in 100 years, however, would have no effect on most authors’ incentives.

It might seem that more than tracing costs are at stake in the decision to impose a time limit on copyrights. The longer the term, the fewer the number of works that are in the public domain, and therefore the higher that E (the cost of expression) will be. This is true, but the higher cost must be discounted along with the higher income of copyright holders. Thus, if the question were whether to increase the term of copyright from 50 to 60 years, not only would the additional revenues to the authors of new works have to be discounted to present value but so would the additional costs. This assumes, however, that the increase in term is prospective only. If the increase applies retroactively, that is, to existing works as well as to works not yet produced, the increased incentive to create will be limited to a subset of the affected works (those not yet produced), while the increase in the cost of expression will apply to borrowing from all works, existing and not yet produced. This is a strong argument against making increases in copyright term retroactive.

If we are right that copyrights should be time-limited to save on tracing costs, it might seem to follow that all property rights should similarly be limited. But this is wrong. Even 100 years from now it will be desirable to have a given parcel of land owned by someone, in order to prevent overuse – and why not the heirs of the present owner unless they sell it before then? There is no congestion externality in the case of information, including the text of a book, and hence no benefit (yet potentially substantial costs) in perpetuating ownership beyond the period necessary to enable the author or publisher to recoup the fixed costs of creating the work. After that, it is fine to dump the copyrighted work into the public domain. As we do not intend land ever to be in the public domain, we cannot economize on the costs of administering property rights by placing a time limit on these rights in land.

This point can be sharpened by contrasting the copyright situation with that of ‘publicity rights’ (rights to the commercial exploitation of a person’s name or likeness), where there is a congestion externality. Suppose an insurance company wants to use a picture of George Washington in its logo and an heir of George Washington appears and objects, claiming that the right of publicity is a descendable right. The heir could not argue that the recognition of such a right almost 200 years after the death of a public figure is necessary to recoup the investment in becoming a public figure, but he could argue that, unless there is a property right in the public figure’s name and likeness, there may be congestion, resulting in a loss of value. This is the economic insight behind the growing movement toward making publicity rights inheritable and also
behind state anti-dilution statutes. The advertising value of a name and likeness may be diminished if anyone can use them. That is not a problem with books, art works, and other copyrighted items.

The current length of a copyright is the author’s lifetime plus 50 years. This reflects a long trend toward lengthening the term of copyright (as well as expanding its scope, for example, by including derivative works, which in this country has gone from 28 years in 1790 (a 14-year initial term renewable for another 14 years) to 42 years in 1831 (a 28-year initial term renewable for 14 years) to 56 years in 1909 (a 28-year initial term renewable for 28 years) to the present term in 1976). This trend is consistent with the fact that the cost of copying has fallen over this period, for we showed earlier that the lower the cost of copying the greater the optimal scope of copyright protection.

The present term may seem both too long – the author who publishes a work at age 30 and dies at age 80 has 100 years of copyright protection, and even in the unlikely event that the work will still generate a substantial income in the one hundredth year, the present value of that expectation will be virtually zero – and arbitrary in making the term of the copyright depend on the author’s longevity. But maybe the term is neither too long nor arbitrary. A point stressed in the legislative history of the 1976 Act is that, by making the death of the author the determining date for copyright protection, ‘all of a particular author’s works, including successive revisions of them, would fall into the public domain at the same time, thus avoiding the present problems of determining a multitude of publication dates and of distinguishing ‘old’ and ‘new’ matter in later editions’ H R Rep No 1476, 94th Cong, 2nd Sess 134 (1976). And we know that bequest motives play a role in people’s decisions to work, save, and so on, and those motives depend on the altruistic feelings that people have, primarily for members of their family, including descendants. This feeling is attenuated with regard to remote descendants, but the 50-year term after death cuts them off.

Landes and Posner wrote, of course, about the US law. However, their law shares a common origin with the UK law, although sometimes the differences between the two Acts are of great significance. For example, s 102 of the US Copyright Act of 1976 (17 USC § 102) provides:

(a) Copyright protection subsists ... in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced or otherwise communicated either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;
(2) musical works, including any accompanying words;
(3) dramatic works, including any accompanying music;
(4) pantomimes and choreographic works;
(5) pictorial, graphic and sculptural works;
(6) motion pictures and other audiovisual works;
(7) sound recordings.
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(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, processing system, method of operation, concept, principle or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

The exclusions in (b) have no direct parallel in our law, although it is clear that copyright – by its concentration on original works of authorship – is concerned with the expression of the work, not the idea underlying it. It is however present in the EC software directive:

Article 1 – object of protection:

1. In accordance with the provisions of this directive, Member States shall protect computer programs, by copyright, as literary works within the meaning of the Berne Convention for the protection of literary and artistic works. For the purposes of this directive, the term ‘computer programs’ shall include their preparatory design material.

2. Protection in accordance with this directive shall apply to the expression in any form of a computer program. Ideas and principles which underlie any element of a computer program, including those which underlie its interfaces, are not protected by copyright under this directive.

3. A computer program shall be protected if it is original in the sense that it is the author’s own intellectual creation. No other criteria shall be applied to determine its eligibility for protection.

The distinction, as Landes and Posner observed, is clearly drawn in Baker v Selden 101 US 99 (1879):

Bradley J: Charles Selden, the testator of the complainant in this case, in the year 1839 took the requisite steps for obtaining copyright of a book, entitled Selden’s Condensed Ledger, or Book-keeping Simplified, the object of which was to exhibit and explain a peculiar system of book-keeping. In 1860 and 1861, he took the copyright of several other books, containing additions to and improvements upon the said system. The bill of complaint was filed against the defendant, Baker, for an alleged infringement of these copyrights. The latter, in his answer, denied that Selden was the author or designer of the books and denied the infringement charged, and contends on the argument that the matter alleged to be infringed is not a lawful subject of copyright.

The parties went into proofs, and the various books of the complainant, as well as those sold and used by the defendant, were exhibited before the examiner, and witnesses were called on both sides.

The book or series of books, of which the complainant claims the copyright, consists of an introductory essay explaining the system of book-keeping referred to, to which are annexed certain forms or blanks, consisting of ruled lines and headings, illustrating the system and showing how it is to be used and carried out in practice. This system effects the same results as book-keeping by double entry: but, by a peculiar arrangement of columns and headings, presents the entire operation, of a day, a week, or a month, on a single page or on two pages facing each other, in an account book. The defendant uses a similar plan so far as results are concerned: but makes a
different arrangement of the columns and uses different headings. If the complainant’s testator had the exclusive right to the system explained in the book, it would be difficult to contend that the defendant does not infringe it, notwithstanding the difference in his form of arrangement: but if it be assumed that the system is open to public use, it seems to be equally difficult to contend that the books made and sold by the defendant are a violation of the copyright of the complainant’s book considered merely as a book explanatory of the system. Where the truths of a science or a method of an art are the common property of the whole world, any author has the right to express the one, or explain and use the other, in his own way. As an author, Selden explained the system in a particular way. It may be conceded that Baker makes and uses account books arranged on substantially the same system: but the proof fails to show that he has violated the copyright of Selden’s book, regarding the latter merely as an explanatory work: or that he has infringed Selden’s right on any way, unless the latter became entitled to an exclusive right in the system.

The evidence of the complainant is principally directed to the object of showing that Baker uses the same system as that which is explained and illustrated in Selden’s books. It becomes important, therefore, to determine whether, in obtaining the copyright of his books, he secured the exclusive right to the use of the system or method of book-keeping which the said books are intended to illustrate and explain. It is contended that he has secured such exclusive right, because no one can use the system without using substantially the same ruled lines and headings which he has appended to his books in illustration of it. In other words, it is contended that the ruled lines and headings, given to illustrate the system, are a part of the book and, as such, are secured by copyright: and that no one can make or use similar ruled lines and headings, or ruled lines and headings made and arranged on substantially the same system, without violating the copyright. And this is really the question to be decided in this case. Stated in another form, the question is whether the exclusive property in a system of book-keeping can be claimed, under the law of copyright, by means of a book in which that system is explained. The complainant’s bill and the case made under it, are based on the hypothesis that it can be.

It cannot be pretended and, indeed, it is not seriously argued, that the ruled lines of the complainant’s account book can be claimed under any special class of objects, other than books, named in the law of copyright existing in 1859. The law then in force was that of 1841, 4 Stat at L, 436, and specified only books, maps, charts, musical compositions, prints and engravings. An account book, consisting of ruled lines and blank columns, cannot be called by any of these names, unless by that of a book.

There is no doubt that a book on the subject of book-keeping, though only explanatory of well-known systems, may be the subject of a copyright; but, then, it is claimed only as a book. Such a book may be explanatory either of old systems, or of an entirely new system; and, considered as a book, as the work of an author conveying information on the subject of book-keeping and containing detailed explanations of the art, it may be a very acquisition to the practical knowledge of the community. But there is a clear distinction between the book, as such, and the art which it is intended to illustrate. The mere
statement of the proposition is so evident that it requires hardly any evidence to support it. The same distinction may be predicated of every other art as well as that of book-keeping. A treatise on the composition and use of medicines, be they old or new; on the construction and use of ploughs or watches or churns; or on the mixture and application of colours for painting or dyeing; or on the mode of drawing lines to produce the effect of perspective, would be the subject of copyright; but no one would contend that the copyright of the treatise would give the exclusive right to the art or manufacture described therein. The copyright of the book, if not pirated from other works, would be valid without regard to the novelty or want of novelty of its subject-matter. The novelty of the art or the thing described or explained has nothing to do with the validity of the copyright. To give the author of the book an exclusive property in the art described therein, when no examination of its novelty has ever officially been made, would be a surprise and a fraud on the public. That is the province of letters patent, not of copyright. The claim to an invention or discovery of an art or manufacture must be subjected to the examination of the Patent Office before an exclusive right therein can be obtained; and it can only be secured by a patent from the government.

The difference between the two things, letters patent and copyrights, may be illustrated by reference to the subjects just enumerated. Take the case of medicines. Certain mixtures are found to be of great value in the healing art. If the discoverer writes and publishes a book on the subject (as regular physicians generally do), he gains no exclusive right to the manufacture and sale of the medicine; he gives that to the public. If he desires to acquire such exclusive rights, he must obtain a patent for the mixture as a new art, manufacture or composition of matter. He may copyright his book, if he pleases; but that only secures to him the exclusive right of printing and publishing his book. So of all other inventions or discoveries.

The copyright of a book on perspectives, no matter how many drawings and illustrations it may contain, gives no exclusive right to the modes of drawing described, though they may never have been known or used before. By publishing the book, without getting a patent for the art, the latter is given to the public. The fact that the art described in the book by illustrations of lines and figures which are reproduced in practice in the application of the art, makes no difference. Those illustrations are the mere language employed by the author to convey his ideas more clearly. Had he used words of description instead of diagrams, which merely stand in the place of words, there could not be the slightest doubt that others, applying the art to practical use, might lawfully draw the lines and diagrams which were in the author’s mind, and which he thus described by words in his book.

The copyright of a work on mathematical science cannot give to the author an exclusive right to the methods of operation which he propounds, or to the diagrams which he employs to explain them, so as to prevent an engineer from using them whenever he requires. The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book. And where the art it teaches cannot be used without employing the methods and diagrams
used to illustrate the book, or such as are similar to them, such methods and diagrams are to be regarded as necessary incidents to the art, and given therewith to the public; not given for the purpose of publication in other works explanatory of the art, but for the purpose of practical application.

Of course, these observations are not intended to apply to ornamental designs, or pictorial illustrations addressed to the taste. Of these it may be said that their form is their essence, and their object the production of pleasure in their contemplation. They are as much the product of genius and the result of composition as are the lines of the poet or the historian’s periods. On the other hand, the teachings of science and the rules and methods of useful art have their final end in application and use; and this application and use are what the public derive from the publication of a book which teaches them. But as embodied and taught in a literary composition or book, their essence consists only in their statement. This alone is what is secured by the copyright. The use by another of the same methods of statement, whether in words or illustrations, in a book published for teaching the art, would, undoubtedly, be an infringement of the copyright.

Returning to the case before us, we observe that Charles Selden, by his books, explained and described a peculiar system of book-keeping, and illustrated his method by means of ruled lines and blank columns, with proper headings on a page, or on successive pages. Now, whilst no one has a right to print or publish his book, or any material part thereof, as a book intended to convey instruction in the art, any person may practise and use the art itself which he has described and illustrated therein. The use of the art is a totally different thing from a publication of a book explaining it. The copyright of a book on book-keeping cannot secure the exclusive right to make, sell and use account books prepared upon the plan set forth in such a book. Whether the art might or might not have been patented, is a question which is not before us. And, of course, in using the art, the ruled lines and headings of accounts must necessarily be used as incidental to it.

The plausibility of the claim put forward by the complainant in this case arises from a confusion of ideas produced by the peculiar nature of the art described in the books which have been made the subject of copyright. In describing the art, the illustrations and diagrams employed happen to correspond more closely than usual with the actual work performed by operator who uses the art. Those illustrations and diagrams consist of ruled lines and headings of accounts; and it is similar ruled lines and headings of account which, in the application of the art, the book-keeper makes with his pen or the stationer with his press; whilst in most other cases the diagrams and illustrations can only be represented in concrete forms of wood, metal, stone, or some other physical embodiment. But the principle is the same in all. The description of the art in a book, though entitled to the benefit of copyright, lays no foundation for an exclusive claim to the art itself. The object of the one is explanation; the object of the other is use. The former may be secured by copyright. The latter can only be secured, if it can be secured at all, by letters patent.

The remarks of Mr Justice Thompson in the Circuit Court in Clayton v Stone, 2 Paine 392, in which copyright was claimed in a daily price-current, are
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apposite and instructive. He says:

In determining the true construction to be given to the Acts of Congress, it is proper to look at the Constitution of the US, to aid us in ascertaining the nature of the property intended to be protected. ‘Congress shall have power to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their writings and discoveries.’ The Act in question was passed in execution of the power here given, and the object, therefore, was the promotion of science: and it would, certainly, be a pretty extraordinary view of the sciences to consider a daily or weekly publication of the state of the market as falling within any class of them. They are of a more fixed, permanent and durable character. The term ‘science’ cannot, with any propriety, be applied to a work of so fluctuating and fugitive a form as that of a newspaper or price-current, the subject-matter of which is daily changing, and is of mere temporary use. Although great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate them being rewarded in this way; it must seek patronage and protection from its utility to the public, and not as a work of science. The title of the Act of Congress is, ‘for the encouragement of learning,’ and was not intended for the encouragement of mere industry, unconnected with learning, and the sciences. We are, accordingly, of opinion that the paper in question is not a book the copyright to which can be secured under the Act of Congress.

The case of *Cobbett v Woodward*, LR, 14 Eq, 407, was a claim to copyright in a catalogue of furniture which the publisher had on sale in his establishment, illustrated with many drawings of furniture and decorations. The defendants, being dealers in the same business, published a similar book, and copied many of the plaintiff’s drawings, though it was shown that they had for sale the articles represented thereby. The court held that these drawings were not subjects of copyright. Lord MR, said: ‘This is a mere advertisement for the same of particular articles which anyone might imitate, and anyone might advertise for sale. If a man, not being a vendor of any of the articles in question, were to publish a work for the purpose of informing the public of what was the most convenient species of articles for household furniture, or the most graceful species of decoration for articles of home furniture, what they ought to cost, and where they might be bought, and were to illustrate his work with designs of each article he described, such a work as this could not be pirated with impunity, and the attempt to do so would be stopped by the injunction of the Court of Chancery; yet if it were done with no such object, but solely for the purpose of advertising particular articles for sale, and promoting the private trade of the publisher by the sale of articles which any other person might sell as well as the first advertiser, and if, in fact, it contained little more than an illustrated inventory of the contents of a warehouse, I know of no law which, while it would not prevent the second advertiser from selling the same articles, would prevent him from using the same advertisement; provided he did not in such advertisement by any device suggest that he was selling the works and designs of the first advertiser.’

Another case, that of *Page v Wisden*, 20 LT (NS) 435, which came before Vice
Chancellor Malins in 1869, has some resemblance to the present. There a copyright was claimed in a cricket scoring-sheet, and the Vice Chancellor held that it was not a fit subject for copyright, partly because it was not new, but also because ‘To say that a particular mode of ruling a book constituted an object for copyright is absurd’.

These cases, if not precisely in point, come near to the matter in hand and, in our view, corroborate the general proposition which we have laid down. The case Drury v Ewing, before Judge Leavitt in the Ohio Circuit, reported in 1 Bond 540, which is much relied on by the complainant, was one where copyright was claimed in a chart of patterns for cutting dresses and basques for ladies, and coats, jackets, etc for boys. It is obvious that such designs could only be printed and published for information, and not for use in themselves. Their practical use could only be exemplified in cloth on the tailor’s board and under his shears; in other words, by the application of a mechanical operation to the cutting of cloth in certain patterns and forms. Surely the exclusive right to this practical use was not reserved to the publisher by his copyright of the chart. Without undertaking to say whether we should or should not concur in the decision in that case, we think it cannot control the present.

The conclusion to which we have come is that blank account books are not the subject of copyright; and that the mere copyright of Selden’s book did not confer upon him the exclusive right to make and use account books, ruled and arranged as designated by him and described and illustrated in said book.

The decree of the Circuit Court must be reversed and the case remanded, with instructions to dismiss the complainant’s bill.

In the UK, the courts have been prepared to draw a similar distinction notwithstanding that it is not express in the statute. In the New Zealand case of Plix Products v Frank M Winstone [1986] FSR at 92–94, Pritchard J rejected copyright protection for mere ideas.

The learned authors of Copinger and Skone James (12th edn, paras 2, 103, 179, 156) state unequivocally that the ideas and original thought of the author are not protected – that copyright is concerned only with the concrete forms in which ideas are expressed. There is an insistent line of authority to support this view, ranging from Kenrick & Co v Lawrence & Co (1890) 25 QBD 99 to LB Plastics Ltd v Swish Products Ltd [1979] RPC 551, 619. In Wham-O, Mr Hillyer (as he then was) argued that a preliminary drawing in which the plaintiff asserted copyright was only a sketch which did no more than illustrate an idea and could not therefore be copyright material. That argument was rejected by the Court of Appeal – not on the basis that there is copyright in ideas but on the facts, because the drawing was no mere sketch but a working drawing.

The concept that copyright does not protect ideas is found unacceptable by the authors of several recent textbooks, eg Laddie, Prescott and Vitoria at pp 31–33, and Lahore on Intellectual Property in Australia, paragraphs 1121, 1151. I think the conflict between these two philosophies is more apparent than real, and that if there is any conflict it can be resolved by an analysis of the concept of ‘ideas’.
There are in fact two kinds of ‘ideas’ involved in the making of any work which is susceptible of being the subject of copyright. In the first place, there is the general idea or basic concept of the work. This idea is formed (or implanted) in the mind of the author. He sets out to write a poem or a novel about unrequited love or to draw a dog listening to a gramophone or to make a kiwi fruit pocket pack – or whatever project he has in mind. While this ‘idea’ remains as a thought in the author’s mind it is, of course, not copyright. It is accepted by the proponents of the ‘copyright in ideas’ theory that in forming his idea of how he will express the basic concept. All these modes of expression have their genesis in the author’s mind – these too are ‘ideas’. When these ideas (which are essentially constructive in character) are reduced to concrete form, the forms they take are where the copyright resides. 

So it is true to say (with Laddie, Prescott and Vitoria et al) that copyright does extend to the protection of ideas – not to basic concepts, but to the ideas which are applied in the exercise of giving expression to basic concepts. It is equally true to say with Copinger and Skone James (and a formidable line of authority) that copyright subsists only in the form of expression and that infringement occurs only when such forms are copied.

The difficulty, of course, is to determine just where the general concept ends and the exercise of expressing the concept begins. It is, as Professor Cornish observes in his recent work, Intellectual Property, an ‘ill-defined boundary’. There can be no general formula by which to establish the line between the general idea and the author’s expression of the idea. The basic idea (or concept) is not necessarily simple – it may be complex. It may be something innovative; or it may be commonplace, utilitarian or banal. The way the author treats the subject, the forms he uses to express the basic concept, may range from the crude and simplistic to the ornate, complicated – and involving the collation and application of a great number of constructive ideas.

It is in this area that the author expends the skill and industry which (even though they may be slight) give the work its originality and entitle him to copyright. Anyone is free to use the basic idea – unless, of course, it is a novel invention which is protected by the grant of a patent. But no one can appropriate the forms or shapes evolved by the author in the process of giving expression to the basic idea. So he who seeks to make a product of the same description as that in which another owns copyright must tread with care. If he copies the details which properly belong to the expression and not the basic concept, he will infringe the copyright. That is why, when the basic idea is expressed in a crude, or simplistic form, the potential plagiarist or business competitor can, without offending, come very close to an exact reproduction of the copyright work. But where the expression is ornate, complex or detailed, then he must keep his distance: the only product he can then make without infringing may bear little resemblance to the copyright work.

While it is true that copyright law does have the effect of preventing the appropriation by a copyist of the constructive ideas of the author as to the form in which an original work is produced, this is so only because the law provides

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1 Sweet & Maxwell, 3rd edn, 1996.
that to reproduce a substantial part of the material form (ie the shape or pattern) of the work by process of ‘copying’ is an infringement. To hold otherwise would be to disregard the explicit terms of the Copyright Act 1962. Section 7(3) defines the restricted act as ‘reproducing the work in any material form’. There is no copyright except by virtue of the Act (s 5(1)): the Act says nothing about taking ideas. The position is stated in clear and unambiguous terms in the following dicta from speeches delivered in the House of Lords in *L B Plastics Ltd v Swish Products Ltd*.

**Lord Wilberforce** at p 619: There can be no copyright in a mere idea, so if all that the respondents had done was to take from the appellants the idea of external latching, or the ‘unhanding’ of components, or any other idea implicit in their work, the appellants could not complain. Nor is there infringement if a person arrives by independent work at a substantially similar result to that sought to be protected. The protection given by the law of copyright is against copying, the basis of the protection being that one man must not be permitted to appropriate the result of another’s labour.

**Lord Hailsham** at p 629: Of course, it is trite law that there is no copyright in ideas, and it may be that if all the respondents were shown to have copied from the appellants was the idea of some sort of external latching of the moulded corner pieces and clips to the extrusions this would have been a sound enough conclusion. But, of course, as the late Professor Joad used to observe, it all depends on what you mean by ‘ideas’. What the respondents in fact copied from the appellants was no mere general idea.

More recently, the so-called idea/expression dichotomy has appeared again in the context of computer programs. It has had a major influence on American decisions, but appears to be of doubtful value in this country. See the *Ibocos* case below. The American courts’ approach to the problem is set out in *Computer Associates International, Inc v Altai, Inc* 1992 US App Lexis 14305; 23 USPQ 2D 1241 (CA 2 1992).

**Walker, circuit judge:** In recent years, the growth of computer science has spawned a number of challenging legal questions, particularly in the field of copyright law. As scientific knowledge advances, courts endeavour to keep pace, and sometimes – as in the area of computer technology – they are required to venture into less than familiar waters. This is not a new development, though. ‘From its beginning, the law of copyright has developed in response to significant changes in technology’, *Sony Corp v Universal City Studios, Inc*, 464 US 417, 430 (1984).

Article 1, s 8 of the Constitution authorises Congress ‘to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.’ The Supreme Court has stated that ‘the economic philosophy behind the clause … is the conviction that encouragement of individual effort by personal gain is the best way to advance public welfare’, *Mazer v Stein*, 347 US 201, 219 (1954). The author’s benefit, however, is clearly a ‘secondary’ consideration, see *US v Paramount Pictures, Inc*, 334 US 131, 158 (1948). ‘The ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good’, *Twentieth Century Fox Film Corp v MCA Inc*, 482 US 111, 118 (1987).
Thus the copyright law seeks to establish a delicate equilibrium. On the one hand, it affords protection to authors as an incentive to create, and, on the other, it must appropriately limit the extent of that protection so as to avoid the effects of monopolistic stagnation. In applying the federal act to new types of cases, courts must always keep this symmetry in mind, id.

Among other things, this case deals with the challenging question of whether and to what extent the ‘non-literal’ aspects of a computer program, that is, those aspects that are not reduced to written code, are protected by copyright. While a few other courts have already grappled with this issue, this case is one of first impression in this circuit. As we shall discuss, we find the results reached by other courts to be less than satisfactory. Drawing upon long-standing doctrines of copyright law, we take an approach that we think better addresses the practical difficulties embedded in these types of cases. In so doing, we have kept in mind the necessary balance between creative incentive and industrial competition.

This appeal comes to us from the US District Court for the Eastern District of New York, the Honourable George C Pratt, circuit judge, sitting by designation. By Memorandum and Order entered August 12 1991, Judge Pratt found that defendant Altai, Inc’s (‘Altai’), OSCAR 3.4 computer program had infringed plaintiff Computer Associates’ (‘CA’), copyrighted computer program entitled CA-SCHEDULER. Accordingly, the district court awarded CA $364,444 in actual damages and apportioned profits. Altai has abandoned its appeal from this award. With respect to CA’s second claim for copyright infringement, Judge Pratt found that Altai’s OSCAR 3.5 program was not substantially similar to a portion of CA-SCHEDULER called ADAPTER, and thus denied relief. Finally, the district court concluded that CA’s State law trade-secret misappropriation claim against Altai had been pre-empted by the Federal Copyright Act. CA appealed from these findings.

Because we are in full agreement with Judge Pratt’s decision and in substantial agreement with his careful reasoning, we affirm the judgment of the district court in its entirety.

BACKGROUND

We assume familiarity with the facts set forth in the district court’s comprehensive and scholarly opinion, see Computer Associates Int’l, Inc v Altai, Inc, 775 F Supp 544, 549–55 (EDNY 1991). Thus, we summarise only those facts necessary to resolve this appeal.

1. COMPUTER PROGRAM DESIGN

Certain elementary facts concerning the nature of computer programs are vital to the following discussion. The Copyright Act defines a computer program as ‘a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result’, 17 USC § 101. In writing these directions, the programmer works ‘from the general to the specific’, Whelan Associates, Inc v Jaslow Dental Laboratory, Inc, 797 F 2d 1222, 1229 (3d Cir 1986), cert denied, 479 US 1031 (1987). See generally, Steven R Englund, Note, Idea, Process, or Protected Expression?: Determining the Scope of Copyright

The first step in this procedure is to identify a program’s ultimate function or purpose. An example of such an ultimate purpose might be the creation and maintenance of a business ledger. Once this goal has been achieved, a programmer breaks down or ‘decomposes’ the program’s ultimate function into ‘simpler constituent problems or “subtasks”’, Englund, at 870, which are also known as subroutines or modules, see Spivack, at 729. In the context of a business ledger program, a module or subroutine might be responsible for the task of updating a list of outstanding accounts receivable. Sometimes, depending upon the complexity of its task, a subroutine may be broken down further into sub-subroutines.

Having sufficiently decomposed the program’s ultimate function into its component elements, a programmer will then arrange the subroutines or modules into what are known as organisational or flow charts. Flow charts map the interactions between modules that achieve the program’s end goal, see Kretschmer, at 826.

In order to accomplish these intra-program interactions, a programmer must carefully design each module’s parameter list. A parameter list, according to the expert appointed and fully credited by the district court, Dr Randall Davis, is ‘the information sent to and received from a subroutine’, see Report of Dr Randall Davis, at 12. The term ‘parameter list’ refers to the form in which information is passed between modules (eg for accounts receivable, the designated time frame and particular customer identifying number) and the information’s actual content (eg 8/91–7/92; customer No 3), id. With respect to form, interacting modules must share similar parameter lists so that they are capable of exchanging information.

‘The functions of the modules in a program together with each module’s relationships to other modules constitute the “structure” of the program’, Englund, at 871. Additionally, the term structure may include the category of modules referred to as ‘macros’. A macro is a single instruction that initiates a sequence of operations or module interactions within the program. Very often the user will accompany a macro with an instruction from the parameter list to refine the instruction (eg current total of accounts receivable (macro), but limited to those for 8/91 to 7/92 from customer No 3 (parameters)).

In fashioning the structure, a programmer will normally attempt to maximise the program’s speed, efficiency, as well as simplicity for user operation, while taking into consideration certain externalities such as the memory constraints of the computer upon which the program will be run, see id; Kretschmer, at 826; Menell, at 1052. ‘This stage of program design often requires the most time and investment’, Kretschmer, at 826.
Once each necessary module has been identified, designed, and its relationship to the other modules has been laid out conceptually, the resulting program structure must be embodied in a written language that the computer can read. This process is called ‘coding,’ and requires two steps, Whelan, 797 F 2d at 1230. First, the programmer must transpose the program’s structural blueprint into a source code. This step has been described as ‘comparable to the novelist fleshing out the broad outline of his plot by crafting from words and sentences the paragraphs that convey the ideas’, Kretschmer, at 826. The source code may be written in any one of several computer languages, such as COBOL, FORTRAN, BASIC, EDL, etc depending upon the type of computer for which the program is intended, Whelan, 797 F 2d at 1230. Once the source code has been completed, the second step is to translate or ‘compile’ it into object code. Object code is the binary language comprised of zeros and ones through which the computer directly receives its instructions, id, at 1230–31; Englund, at 868 and n 13. After the coding is finished, the programmer will run the program on the computer in order to find and correct any logical and syntactical errors. This is known as ‘debugging’ and, once done, the program is complete, see Kretschmer, at 826–27.

2. FACTS

CA is a Delaware corporation, with its principal place of business in Garden City, New York. Altai is a Texas corporation, doing business primarily in Arlington, Texas. Both companies are in the computer software industry – designing, developing and marketing various types of computer programs. The subject of this litigation originates with one of CA’s marketed programs entitled CA-SCHEDULER. CA-SCHEDULER is a job scheduling program designed for IBM mainframe computers. Its primary functions are straightforward: to create a schedule specifying when the computer should run various tasks, and then to control the computer as it executes the schedule. CA-SCHEDULER contains a subprogram entitled ADAPTER, also developed by CA. ADAPTER is not an independently marketed product of CA; it is a wholly integrated component of CA-SCHEDULER and has no capacity for independent use. Nevertheless, ADAPTER plays an extremely important role. It is an ‘operating system compatibility component,’ which means, roughly speaking, it serves as a translator. An ‘operating system’ is itself a program that manages the resources of the computer, allocating those resources to other programs as needed. The EBM’s System 370 family of computers, for which CA-SCHEDULER was created, is, depending upon the computer’s size, designed to contain one of three operating systems: DOS/VSE, AWS, or CMS. As the district court noted, the general rule is that ‘a program written for one operating system, eg DOS/VSE, will not, without modification, run under another operating system such as WS’, Computer Associates, 775 F Supp at 550. ADAPTER’s function is to translate the language of a given program into the particular language that the computer’s own operating system can understand. The district court succinctly outlined the manner in which ADAPTER works within the context of the larger program. In order to enable CA-SCHEDULER to function on different operating systems, CA divided the CA-SCHEDULER
into two components: a first component that contains only the task-specific portions of the program, independent of all operating system issues, and a second component that contains all the interconnections between the first component and the operating system.

In a program constructed in this way, whenever the first, task-specific, component needs to ask the operating system for some resource through a ‘system call’, it calls the second component instead of calling the operating system directly.

The second component serves as an ‘interface’ or ‘compatibility component’ between the task-specific portion of the program and the operating system. It receives the request from the first component and translates it into the appropriate system call that will be recognised by whatever operating system is installed on the computer, eg, DOS/VSE, MVS, or CMS. Since the first, task-specific component calls the adapter component rather than the operating system, the first component need not be customised to use any specific operating system. The second interface component insures that all the system calls are performed properly for the particular operating system in use, id, at 551. ADAPTER serves as the second, ‘common system interface’ component referred to above.

A program like ADAPTER, which allows a computer user to change or use multiple operating systems while maintaining the same software, is highly desirable. It saves the user the costs, both in time and money, that otherwise would be expended in purchasing new programs, modifying existing systems to run them, and gaining familiarity with their operation. The benefits run both ways. The increased compatibility afforded by an ADAPTER-like component, and its resulting popularity among consumers, makes whatever software in which it is incorporated significantly more marketable.

Starting in 1982, Altai began marketing its own job scheduling program entitled ZEKE. The original version of ZEKE was designed for use in conjunction with a VSE operating system. By late 1983, in response to customer demand, Altai decided to rewrite ZEKE so that it could be run in conjunction with a WS operating system.

At that time, James P Williams (‘Williams’), then an employee of Altai and now its President, approached Claude F Arney III (‘Arney’), a computer programmer who worked for CA. Williams and Arney were longstanding friends, and had in fact been co-workers at CA for some time before Williams left CA to work for Altai’s predecessor. Williams wanted to recruit Arney to assist Altai in designing a WS version of ZEKE.

At the time he first spoke with Arney, Williams was aware of both the CA-SCHEDULER and ADAPTER programs. However, Williams was not involved in their development and had never seen the codes of either program. When he asked Arney to come work for Altai, Williams did not know that ADAPTER was a component of CA-SCHEDULER.

Arney, on the other hand, was intimately familiar with various aspects of ADAPTER. While working for CA, he helped improve the VSE version of ADAPTER, and was permitted to take home a copy of ADAPTER’s source
code. This apparently developed into an irresistible habit, for when Arney left CA to work for Altai in January 1984, he took with him copies of the source code for both the VSE and WS versions of ADAPTER. He did this in knowing violation of the CA employee agreements that he had signed.

Once at Altai, Arney and Williams discussed design possibilities for adapting ZEKE to run on WS operating systems. Williams, who had created the VSE version of ZEKE, thought that approximately 30% of his original program would have to be modified in order to accommodate WS. Arney persuaded Williams that the best way to make the needed modifications was to introduce a ‘common system interface’ component into ZEKE. He did not tell Williams that his idea stemmed from his familiarity with ADAPTER. They decided to name this new component-program OSCAR. Arney went to work creating OSCAR. No one at Altai, including Williams, knew that he had the ADAPTER code, and no one knew that he was using it to design OSCAR/VSE. In three months, Arney successfully completed the OSCAR/VSE project. In an additional month he developed an OSCAR/MVS version. When the dust finally settled, Arney had copied approximately 30% of OSCAR’s code from CA’s ADAPTER program.

The first generation of OSCAR programs was known as OSCAR 3.4. From 1986 to August 1988, Altai used OSCAR 3.4 in its ZEKE product, as well as in programs entitled ZACK and ZEBB. In late July 1988, CA first learned that Altai may have appropriated parts of ADAPTER. After confirming its suspicions, CA secured copyrights on its 2.1 and 7.0 versions of CA-SCHEDULER. CA then brought this copyright and trade-secret misappropriation action against Altai.

Apparently, it was upon receipt of the summons and complaint that Altai first learned that Arney had copied much of the OSCAR code from ADAPTER. After Arney confirmed to Williams that CA’s accusations of copying were true, Williams immediately set out to survey the damage. Without ever looking at the ADAPTER code himself, Williams learned from Arney exactly which sections of code Arney had taken from ADAPTER. Upon advice of counsel, Williams initiated OSCAR’s rewrite. The project’s goal was to save as much of OSCAR 3.4 as legitimately could be used, and to excise those portions which had been copied from ADAPTER. Arney was entirely excluded from the process, and his copy of the ADAPTER code was locked away. Williams put eight other programmers on the project, none of whom had been involved in any way in the development of OSCAR 3.4. Williams provided the programmers with a description of the ZEKE operating system services so that they could rewrite the appropriate code. The rewrite project took about six months to complete and was finished in mid-November 1989. The resulting program was entitled OSCAR 3.5.

From that point on, Altai shipped only OSCAR 3.5 to its new customers. Altai also shipped OSCAR 3.5 as a ‘free upgrade’ to all customers that had previously purchased OSCAR 3.4. While Altai and Williams acted responsibly to correct what Arney had wrought, the damage was done. CA’s lawsuit remained.
After CA originally instituted this action in the US District Court for the District of New Jersey, the parties stipulated its transfer in March, 1989, to the Eastern District of New York where it was assigned to Judge Jacob Mishler. On 26 October 1989, Judge Mishler transferred the case to Judge Pratt who was sitting in the district court by designation. Judge Pratt conducted a six day trial from 28 March to 6 April 1990. He entered judgment on 12 August 1991, and this appeal followed.

DISCUSSION

While both parties originally appealed from different aspects of the district court’s judgment, Altai has now abandoned its appellate claims. In particular, Altai has conceded liability for the copying of ADAPTER into OSCAR 3.4 and raises no challenge to the award of $364,444 in damages on that score. Thus, we address only CA’s appeal from the district court’s rulings that: (1) Altai was not liable for copyright infringement in developing OSCAR 3.5; and (2) in developing both OSCAR 3.4 and 3.5, Altai was not liable for misappropriating CA’s trade secrets.

CA makes two arguments. First, CA contends that the district court applied an erroneous method for determining whether there exists substantial similarity between computer programs, and thus, erred in determining that OSCAR 3.5 did not infringe the copyrights held on the different versions of its CA-SCHEDULER program. CA asserts that the test applied by the district court failed to account sufficiently for a computer program’s non-literal elements. Second, CA maintains that the district court erroneously concluded that its state law trade secret claims had been pre-empted by the Federal Copyright Act, see 17 USC § 301(a). We shall address each argument in turn.

1. COPYRIGHT INFRINGEMENT

In any suit for copyright infringement, the plaintiff must establish its ownership of a valid copyright, and that the defendant copied the copyrighted work, see Novelty Textile Hulls, Inc v Joan Fabrics Corp, 558 F 2d 1090, 1092 (2d Cir 1977); see also 3 Melville B Nimmer and David Nimmer, Nimmer on Copyright § 13.01, at 13–14 (1991) (hereinafter ‘Nimmer’). The plaintiff may prove defendant’s copying either by direct evidence or, as is most often the case, by showing that (1) the defendant had access to the plaintiffs’ copyrighted work and (2) that defendant’s work is substantially similar to the plaintiffs’ copyrightable material, see Walker v Time Life Films, Inc, 784 F 2d 44, 48 (2d Cir), cert denied, 476 US 1159 (1986).

For the purpose of analysis, the district court assumed that Altai had access to the ADAPTER code when creating OSCAR 3.5, see Computer Associates, 775 F Supp at 558. Thus, in determining whether Altai had unlawfully copied protected aspects of CA’s ADAPTER, the district court narrowed its focus of enquiry to ascertaining whether Altai’s OSCAR 3.5 was substantially similar to ADAPTER. Because we approve Judge Pratt’s conclusions regarding substantial similarity, our analysis will proceed along the same assumption.

As a general matter, and to varying degrees, copyright protection extends beyond a literary work’s strictly textual form to its non-literal components. As we have said, ‘it is of course essential to any protection of literary property ...
that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations', Nichols v Universal Pictures Co, 45 F 2d 119, 121 (2d Cir 1930) (L. Hand, J), cert denied, 282 US 902 (1931). Thus, where 'the fundamental essence or structure of one work is duplicated in another', 3 Nimmer, § 13.03 [A][I], at 13–24, courts have found copyright infringement. See, for example, Horgan v Macmillan, 789 F 2d 157, 162 (2d Cir 1986) (recognising that a book of photographs might infringe ballet choreography); Twentieth-Century Fox Film Corp v MCA, Inc, 715 F 2d 1327, 1329 (9th Cir 1983) (motion picture and television series); Sid & Marry Krofft Television Productions, Inc v McDonald’s Corp, 562 F 2d 1157, 1167 (9th Cir 1977) (television commercial and television series); Sheldon v Metro-Goldwyn Pictures Corp, 81 F 2d 49, 55 (2d Cir), cert denied, 298 US 669 (1936) (play and motion picture); accord Stewart v Abend, 495 US 207, 238 (1990) (recognising that motion picture may infringe copyright in book by using its ‘unique setting, characters, plot, and sequence of events’). This black letter proposition is the springboard for our discussion.

A. Copyright protection for the non-literal elements of computer programs

It is now well settled that the literal elements of computer programs, ie their source and object codes, are the subject of copyright protection. See Whelan, 797 F 2d at 1233 (source and object code); CMS Software Design Sys, Inc v Info Designs, Inc, 785 F 2d 1246, 1249 (5th Cir 1986) (source code); Apple Computer, Inc v Franklin Computer Corp, 714 F 2d 1240, 1249 (3d Cir 1983), cert dismissed, 464 US 1033 (1984) (source and object code); Williams Electronics, Inc v Artie Int’l, Inc, 685 F 2d 870, 876–77 (3d Cir 1982) (object code). Here, as noted earlier, Altai admits having copied approximately 30% of the OSCAR 3.4 program from CA’s ADAPTER source code, and does not challenge the district court’s related finding of infringement.

In this case, the hotly contested issues surround OSCAR 3.5. As recounted above, OSCAR 3.5 is the product of Altai’s carefully orchestrated rewrite of OSCAR 3.4. After the purge, none of the ADAPTER source code remained in the 3.5 version; thus, Altai made sure that the literal elements of its revamped OSCAR program were no longer substantially similar to the literal elements of CA’s ADAPTER.

According to CA, the district court erroneously concluded that Altai’s OSCAR 3.5 was not substantially similar to its own ADAPTER program. CA argues that this occurred because the district court ‘committed legal error in analysing [its] claims of copyright infringement by failing to find that copyright protects expression contained in the non-literal elements of computer software’. We disagree.

CA argues that, despite Altai’s rewrite of the OSCAR code, the resulting program remained substantially similar to the structure of its ADAPTER program. As discussed above, a program’s structure includes its non-literal components such as general flow charts as well as the more specific organisation of intermodular relationships, parameter lists, and macros. In addition to these aspects, CA contends that OSCAR 3.5 is also substantially similar to ADAPTER with respect to the list of services that both ADAPTER and OSCAR obtain from their respective operating systems. We must decide whether and to what extent these elements of computer programs are protected by copyright law.
The statutory terrain in this area has been well explored. See *Lotus Dev Corp v Paperback Software Int’l*, 740 F Supp 37, 47–51 (D Mass 1990); see also *Whelan*, 797 F 2d at 1240–42; Englund, at 885–90; Spivack, at 731–37. The Copyright Act affords protection to ‘original works of authorship fixed in any tangible medium of expression’, 17 USC § 102(a). This broad category of protected ‘works’ includes ‘literary works’, *id.*, which are defined by the act as works, other than audio-visual works, expressed in words, numbers, or other verbal or numerical symbols or *indicia*, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phono records, film tapes, disks, or cards, in which they are embodied, 17 USC § 101. While computer programs are not specifically listed as part of the above statutory definition, the legislative history leaves no doubt that Congress intended them to be considered literary works. See HR Rep No 1476, 94th Cong., 2d Sess 54, reprinted in 1976 USCCAN 5659, 5667 (hereinafter ‘House Report’); *Whelan*, 797 F 2d at 1234; *Apple Computer*, 714 F 2d at 1247.

The syllogism that follows from the foregoing premises is a powerful one: if the non-literal structures of literary works are protected by copyright; and if computer programs are literary works, as we are told by the legislature; then the non-literal structures of computer programs are protected by copyright. See *Whelan*, 797 F 2d at 1234 (‘By analogy to other literary works, it would thus appear that the copyrights of computer programs can be infringed even absent copying of the literal elements of the program’). We have no reservation in joining the company, see, for example, *Johnson Controls, Inc v Phoenix Control Sys, Inc*, 886 F 2d 1173, 1175 (9th Cir 1989); *Lotus Dev Corp*, 740 F Supp at 54; *Digital Communications Assocs, Inc v Softklone Distrib Corp*, 659 F Supp 449, 455–56 (NDGa 1987); *Q-Co Indus, Inc v Hoffman*, 625 F Supp 608, 615 (SDNY 1985); *SAS Institute, Inc v S & H Computer Sys, Inc*, 605 F Supp 816, 829–30 (MD Tenn 1985). However, that conclusion does not end our analysis. We must determine the scope of copyright protection that extends to a computer program’s non-literal structure.

As a caveat, we note that our decision here does not control infringement actions regarding categorically distinct works, such as certain types of screen displays. These items represent products of computer programs, rather than the programs themselves, and fall under the copyright rubric of audio-visual works. If a computer audio-visual display is copyrighted separately as an audio-visual work, apart from the literary work that generates it (ie the program), the display may be protectable regardless of the underlying program’s copyright status. See *Stem Electronics, Inc v Kaufman*, 669 F 2d 852, 855 (2d Cir 1982) (explaining that an audio-visual work’s copyright, rather than a copyright on the underlying program, extended greater protection to the sights and sounds generated by a computer video game because the same audio-visual display could be generated by different programs). Of course, the copyright protection that these displays enjoy extends only so far as their expression is protectable, *Data East USA, Inc v Epyx, Inc*, 862 F 2d 204, 209 (9th Cir 1988). In this case, however, we are concerned not with a
program’s display, but the program itself, and then with only its non-literal components. In considering the copyrightability of these components, we must refer to venerable doctrines of copyright law.

1) Idea/expression dichotomy

It is a fundamental principle of copyright law that a copyright does not protect an idea, but only the expression of the idea. See Baker v Selden, 101 US 99 (1879); Mazer v Stein, 347 US 201, 217 (1954). This axiom of common law has been incorporated into the governing statute. Section 102(b) of the Act provides: ‘In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work’, 17 USC § 102(b). See also House Report, at 5670 (‘Copyright does not preclude others from using ideas or information revealed by the author’s work.’).

Congress made no special exception for computer programs. To the contrary, the legislative history explicitly states that copyright protects computer programs only ‘to the extent that they incorporate authorship in programmer’s expression of original ideas, as distinguished from the ideas themselves’, id at 5667; see also id at 5670 (‘s 102(b) is intended ... to make clear that the expression adopted by the programmer is the copyrightable element in a computer program, and that the actual processes or methods embodied in the program are not within the scope of copyright law’).

Similarly, the National Commission on New Technological Uses of Copyrighted Works (‘CONTU’) established by Congress to survey the issues generated by the interrelationship of advancing technology and copyright law, see Pub L 93-573, § 201, 88 Stat 1873 (1974), recommended, inter alia, that the 1976 Copyright Act ‘be amended ... to make it explicit that computer programs, to the extent that they embody the author’s original creation, are proper subject-matter for copyright’, see National Commission on New Technological Uses of Copyrighted Works, Final Report 1 (1979) (hereinafter ‘CONTU Report’). To that end, Congress adopted CONTU’s suggestions and amended the Copyright Act by adding, among other things, a provision to 17 USC § 101 which defined the term ‘computer program’, see Pub L No 96-517, § 10(a), 94 Stat 3028 (1980). CONTU also ‘concluded that the idea/expression distinction should be used to determine which aspects of computer programs are copyrightable’, Lotus Dev Corp, 740 F Supp at 54 (citing CONTU Report, at 44).

Drawing the line between idea and expression is a tricky business. Judge Learned Hand noted that ‘nobody has ever been able to fix that boundary, and nobody ever can’, Nichols, 45 F 2d at 121. Thirty years later his convictions remained firm. ‘Obviously, no principle can be stated as to when an imitator has gone beyond copying the “idea”, and has borrowed its “expression”’, Judge Hand concluded. ‘Decisions must therefore inevitably be ad hoc’, Peter Pan Fabrics, Inc v Martin Weiner Corp, 274 F 2d 487,489 (2d Cir 1960).

The essentially utilitarian nature of a computer program further complicates the task of distilling its idea from its expression. See SAS
Institute, 605 F Supp at 829; cf Englund, at 893. In order to describe both computational processes and abstract ideas, its content ‘combines creative and technical expression’, see Spivack, at 755. The variations of expression found in purely creative compositions, as opposed to those contained in utilitarian works, are not directed towards practical application. For example, a narration of Humpty Dumpty’s demise, which would clearly be a creative composition, does not serve the same ends as, say, a recipe for scrambled eggs – which is a more process-oriented text. Thus, compared to aesthetic works, computer programs hover even more closely to the elusive boundary line described in § 102(b).

The doctrinal starting point in analyses of utilitarian works is the seminal case of Baker v Selden, 101 US 99 (1879). In Baker, the Supreme Court faced the question of ‘whether the exclusive property in a system of bookkeeping can be claimed, under the law of copyright, by means of a book in which that system is explained?’ id at 101. Selden had copyrighted a book that expounded a particular method of book-keeping. The book contained lined pages with headings intended to illustrate the manner in which the system operated. Baker’s accounting publication included ledger sheets that employed ‘substantially the same ruled lines and headings’, id. Selden’s testator sued Baker for copyright infringement on the theory that the ledger sheets were protected by Selden’s copyright.

The Supreme Court found nothing copyrightable in Selden’s book-keeping system, and rejected his infringement claim regarding the ledger sheets. The court held that:

The fact that the art described in the book by illustrations of lines and figures which are reproduced in practice in the application of the art, makes no difference. Those illustrations are the mere language employed by the author to convey his ideas more clearly. Had he used words of description instead of diagrams (which merely stand in the place of words), there could not be the slightest doubt that others, applying the art to practical use, might lawfully draw the lines and diagrams which were in the author’s mind, and which he thus described by words in his book. The copyright of a work on mathematical science cannot give to the author an exclusive right to the methods of operation which he propounds, or to the diagrams which he employs to explain them, so as to prevent an engineer from using them whenever occasion requires, id at 103.

To the extent that an accounting text and a computer program are both ‘a set of statements or instructions ... to bring about a certain result’, 17 USC § 101, they are roughly analogous. In the former case, the processes are ultimately conducted by human agency; in the latter, by electronic means. In either case, as already stated, the processes themselves are not protectable. But the holding in Baker goes farther. The court concluded that those aspects of a work, which ‘must necessarily be used as incident to’ the idea, system or process that the work describes, are also not copyrightable, 101 US at 104. Selden’s ledger sheets, therefore, enjoyed no copyright protection because they were ‘necessary incidents to’ the system of
accounting that he described, id at 103. From this reasoning, we conclude that those elements of a computer program that are necessarily incidental to its function are similarly unprotectable.

While Baker v Selden provides a sound analytical foundation, it offers scant guidance on how to separate idea or process from expression, and moreover, on how further to distinguish protectable expression from that expression which ‘must necessarily be used as incident to’ the work’s underlying concept. In the context of computer programs, the Third Circuit’s noted decision in Whelan has, thus far, been the most thoughtful attempt to accomplish these ends.

The court in Whelan faced substantially the same problem as is presented by this case. There, the defendant was accused of making off with the non-literal structure of the plaintiffs’ copyrighted dental lab management program, and employing it to create its own competitive version. In assessing whether there had been an infringement, the court had to determine which aspects of the programs involved were ideas, and which were expression. In separating the two, the court settled upon the following conceptual approach:

The line between idea and expression may be drawn with reference to the end sought to be achieved by the work in question. In other words, the purpose or function of a utilitarian work would be the work’s idea, and everything that is not necessary to that purpose or function would be part of the expression of the idea ... Where there are various means of achieving the desired purpose, then the particular means chosen is not necessary to the purpose; hence, there is expression, not idea, 797 F 2d at 1236 (citations omitted).

The ‘idea’ of the program at issue in Whelan was identified by the court as simply ‘the efficient management of a dental laboratory’, id at n 28.

So far, in the courts, the Whelan rule has received a mixed reception. While some decisions have adopted its reasoning, see, for example, Bull HN Information Sys, Inc v American Express Bank, Ltd, 1990 Copyright Law Dec (CCH) P 26,555 at 23,278 (SDNY 1990); Dynamic Solutions, Inc v Planning & Control, Inc, 1987 Copyright Law Dec (CCH) P 26,062 at 20,912 (SDNY 1987); Broderbund Software Inc v Unison World, Inc, 648 F Supp 1127, 1133 (ND Cal 1986), others have rejected it. See Plains Cotton Co-op v Goodpasture Computer Service, Inc, 807 F 2d 1256, 1262 (5th Cir), cert denied, 484 US 821 (1987); cf Synercom Technology, Inc v University Computing Co, 462 F Supp 1003, 1014 (ND Tex 1978) (concluding that order and sequence of data on computer input formats were idea not expression).

Whelan has fared even more poorly in the academic community, where its standard for distinguishing idea from expression has been widely criticised for being conceptually overbroad. See, for example, Englund, at 881; Menell, at 1074, 1082; Kretschmer, at 837–39; Spivack, at 747–55; Thomas M Gage, Note, ‘Whelan Associates v Jaslow Dental Laboratories: Copyright Protection for Computer Software Structure – What’s the Purpose?’, 1987 Wis L REV 859, 860–61 (1987). The leading commentator in the field has stated that, ‘the crucial flaw in [Whelan’s] reasoning is that it
assumes that only one ‘idea’, in copyright law terms, underlies any computer program, and that once a separable idea can be identified, everything else must be expression’, 3 Nimmer § 13.03[F], at 13–62.34. This criticism focuses not upon the program’s ultimate purpose but upon the reality of its structural design. As we have already noted, a computer program’s ultimate function or purpose is the composite result of interacting subroutines. Since each subroutine is itself a program, and thus, may be said to have its own ‘idea’, Whelan’s general formulation that a program’s overall purpose equates with the program’s idea is descriptively inadequate.

Accordingly, we think that Judge Pratt wisely declined to follow Whelan. See Computer Associates, 775 F Supp at 558–60. In addition to noting the weakness in the Whelan definition of ‘program-idea,’ mentioned above, Judge Pratt found that Whelan’s synonymous use of the terms structure, sequence, and organisation, see Whelan, 797 F 2d at 1224 n 1, demonstrated a flawed understanding of a computer program’s method of operation. See Computer Associates, 775 F Supp at 559–60 (discussing the distinction between a program’s ‘static structure’ and ‘dynamic structure’). Rightly, the district court found Whelan’s rationale suspect because it is so closely tied to what can now be seen – with the passage of time – as the opinion’s somewhat outdated appreciation of computer science.

2) Substantial Similarity Test for Computer Program Structure. Abstraction/Filtration Comparison

We think that Whelan’s approach to separating idea from expression in computer programs relies too heavily on metaphysical distinctions and does not place enough emphasis on practical considerations, cf Apple Computer, 714 F 2d at 1253 (rejecting certain commercial constraints on programming as a helpful means of distinguishing idea from expression because they did ‘not enter into the somewhat metaphysical issue of whether particular ideas and expressions have merged’). As the cases that we shall discuss demonstrate, a satisfactory answer to this problem cannot be reached by resorting, a priori, to philosophical first principles.

As discussed herein, we think that district courts would be well-advised to undertake a three-step procedure, based on the abstractions test utilised by the district court, in order to determine whether the non-literal elements of two or more computer programs are substantially similar. This approach breaks no new ground; rather, it draws on such familiar copyright doctrines as merger, scenes a faire, and public domain. In taking this approach, however, we are cognisant that computer technology is a dynamic field which can quickly outpace judicial decision making. Thus, in cases where the technology in question does not allow for a literal application of the procedure we outline below, our opinion should not be read to foreclose the district courts of our circuit from utilising a modified version.

In ascertaining substantial similarity under this approach, a court would first break down the allegedly infringed program into its constituent structural parts. Then, by examining each of these parts for such things as incorporated ideas, expression that is necessarily incidental to those ideas,
Copyright

and elements that are taken from the public domain, a court would then be able to sift out all non-protectable material. Left with a kernel, or possibly kernels, of creative expression after following this process of elimination, the court’s last step would be to compare this material with the structure of an allegedly infringing program. The result of this comparison will determine whether the protectable elements of the programs at issue are substantially similar so as to warrant a finding of infringement. It will be helpful to elaborate a bit further.

Step 1: abstraction

As the district court appreciated, see Computer Associates, 775 F Supp at 560, the theoretic framework for analysing substantial similarity expounded by Learned Hand in the Nichols case is helpful in the present context. In Nichols, we enunciated what has now become known as the ‘abstractions’ test for separating idea from expression:

Upon any work ... a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his ‘ideas,’ to which, apart from their expression, his property is never extended, Nichols, 45 F 2d at 121.

While the abstractions test was originally applied in relation to literary works such as novels and plays, it is adaptable to computer programs. In contrast to the Whelan approach, the abstractions test ‘implicitly recognises that any given work may consist of a mixture of numerous ideas and expressions’, 3 Nimmer § 13.03[F] at 13–62.34–63. As applied to computer programs, the abstractions test will comprise the first step in the examination for substantial similarity. Initially, in a manner that resembles reverse engineering on a theoretical plane, a court should dissect the allegedly copied program’s structure and isolate each level of abstraction contained within it. This process begins with the code and ends with an articulation of the program’s ultimate function. Along the way, it is necessary essentially to retrace and map each of the designer’s steps – in the opposite order in which they were taken during the program’s creation, see Background: Computer Program Design, above.

As an anatomical guide to this procedure, the following description is helpful:

At the lowest level of abstraction, a computer program may be thought of in its entirety as a set of individual instructions organised into a hierarchy of modules. At a higher level of abstraction, the instructions in the lowest-level modules may be replaced conceptually by the functions of those modules. At progressively higher levels of abstraction, the functions of higher-level modules conceptually replace the implementations of those modules in terms of lower-level modules and instructions, until finally, one is left with nothing but the ultimate function of the program ... A program has structure at every level of
abstraction at which it is viewed. At low levels of abstraction, a program’s structure may be quite complex; at the highest level it is trivial, Englund, at 897–98; cf Spivack, at 774.

Step 2: filtration

Once the program’s abstraction levels have been discovered, the substantial similarity enquiry moves from the conceptual to the concrete. Professor Nimmer suggests, and we endorse, a ‘successive filtering method’ for separating protectable expression from non-protectable material, see generally 3 Nimmer § 13.03[F]. This process entails examining the structural components at each level of abstraction to determine whether their particular inclusion at that level was ‘idea’ or was dictated by considerations of efficiency, so as to be necessarily incidental to that idea; required by factors external to the program itself; or taken from the public domain and hence is non-protectable expression. See also Kretschmer, at 844–45 (arguing that program features dictated by market externalities or efficiency concerns are unprotectable). The structure of any given program may reflect some, all, or none of these considerations. Each case requires its own fact-specific investigation.

Strictly speaking, this filtration serves ‘the purpose of defining the scope of plaintiff’s copyright’, Brown Bag Software v Symantec Corp, No 89–16239, slip op 3719, 3738 (9th Cir April 7, 1992) (endorsing ‘analytic dissection’ of computer programs in order to isolate protectable expression). By applying well-developed doctrines of copyright law, it may ultimately leave behind a ‘core of protectable material’, 3 Nimmer § 13.03[F][5], at 13–72. Further explication of this second step may be helpful.

(a) Elements dictated by efficiency

The portion of Baker v Selden, discussed earlier, which denies copyright protection to expression necessarily incidental to the idea being expressed, appears to be the cornerstone for what has developed into the doctrine of merger. See Morrissey v Proctor & Gamble Co, 379 F 2d 675, 678–79 (lst Cir 1967) (relying on Baker for the proposition that expression embodying the rules of a sweepstakes contest was inseparable from the idea of the contest itself, and therefore were not protectable by copyright); see also Digital Communications, 659 F Supp at 457. The doctrine’s underlying principle is that ‘when there is essentially only one way to express an idea, the idea and its expression are inseparable and copyright is no bar to copying that expression’, Concrete Machinery Co v Classic Lawn Ornaments, Inc, 843 F 2d 600, 606 (1st Cir 1988). Under these circumstances, the expression is said to have ‘merged’ with the idea itself. In order not to confer a monopoly of the idea upon the copyright owner, such expression should not be protected. See Herbert Rosenthal Jewelry Corp v Kalpakian, 446 F 2d 7387742 (9th Cir 1971).

CONTU recognised the applicability of the merger doctrine to computer programs. In its report to Congress it stated that:

Copyrighted language may be copied without infringing when there are but a limited number of ways to express a given idea ... In
the computer context, this means that when specific instructions, even though previously copyrighted, are the only and essential means of accomplishing a given task, their later use by another will not amount to infringement, CONTU Report at 20.

While this statement directly concerns only the application of merger to program code, that is, the textual aspect of the program, it reasonably suggests that the doctrine fits comfortably within the general context of computer programs.

Furthermore, when one considers the fact that programmers generally strive to create programs ‘that meet the user’s needs in the most efficient manner’, Menell, at 1052, the applicability of the merger doctrine to computer programs becomes compelling. In the context of computer program design, the concept of efficiency is akin to deriving the most concise logical proof or formulating the most succinct mathematical computation. Thus, the more efficient a set of modules are, the more closely they approximate the idea or process embodied in that particular aspect of the program’s structure.

While, hypothetically, there might be a myriad of ways in which a programmer may effectuate certain functions within a program, ie express the idea embodied in a given subroutine, efficiency concerns may so narrow the practical range of choice as to make only one or two forms of expression workable options. See 3 Nimmer § 13.03[F][2], at 13-63; see also Whelan, 797 F 2d at 1243 n 43 (‘It is true that for certain tasks there are only a very limited number of file structures available, and in such cases the structures might not be copyrightable ... ’). Of course, not all program structure is informed by efficiency concerns. See Menell, at 1052 (besides efficiency, simplicity related to user accommodation has become a programming priority). It follows that in order to determine whether the merger doctrine precludes copyright protection to an aspect of a program’s structure that is so oriented, a court must enquire ‘whether the use of this particular set of modules is necessary efficiently to implement that part of the program’s process’ being implemented, Englund, at 902. If the answer is yes, then the expression represented by the programmer’s choice of a specific module or group of modules has merged with their underlying idea and is unprotected, id at 902–03.

Another justification for linking structural economy with the application of the merger doctrine stems from a program’s essentially utilitarian nature and the competitive forces that exist in the software marketplace, see Kretschmer, at 842. Working in tandem, these factors give rise to a problem of proof which merger helps to eliminate.

Efficiency is an industry-wide goal. Since, as we have already noted, there may be only a limited number of efficient implementations for any given program task, it is quite possible that multiple programmers, working independently, will design the identical method employed in the allegedly infringed work. Of course, if this is the case, there is no copyright infringement. See Roth Greeting Cards v
Under these circumstances, the fact that two programs contain the same efficient structure may as likely lead to an inference of independent creation as it does to one of copying. See 3 Nimmer § 13.03[F][2], at 13–65; cf Herbert Rosenthal Jewelry Corp, 446 F 2d at 741 (evidence of independent creation may stem from defendant’s standing as a designer of previous similar works). Thus, since evidence of similarly efficient structure is not particularly probative of copying, it should be disregarded in the overall substantial similarity analysis. See 3 Nimmer § 13.03[F][2], at 13–65.

We find support for applying the merger doctrine in cases that have already addressed the question of substantial similarity in the context of computer program structure. Most recently, in Lotus Dev Corp, 740 F Supp at 66, the district court had before it a claim of copyright infringement relating to the structure of a computer spreadsheet program. The court observed that ‘the basic spreadsheet screen display that resembles a rotated ‘L’ ... , if not present in every expression of such a program, is present in most expressions’, id. Similarly, the court found that ‘an essential detail present in most if not all expressions of an electronic spreadsheet is the designation of a particular key that, when pressed, will invoke the menu command system’, id. Applying the merger doctrine, the court denied copyright protection to both program elements.

In Manufacturers Technologies, Inc v Cams, Inc, 706 F Supp 984, 995–99 (D Conn 1989), the infringement claims stemmed from various alleged program similarities ‘as indicated in their screen displays’, id at 990. Stressing efficiency concerns in the context of a merger analysis, the court determined that the program’s method of allowing the user to navigate within the screen displays was not protectable because, in part, ‘the process or manner of navigating internally on any specific screen displays ... is limited in the number of ways it may be simply achieved to facilitate user comfort’, id at 995. The court also found that expression contained in various screen displays (in the form of alphabetical and numerical columns), was not the proper subject of copyright protection because it was ‘necessarily incident to the ideas’ embodied in the displays, id at 996, 998. Cf Digital Communications, 659 F Supp at 460 (finding no merger and affording copyright protection to program’s status screen display because ‘modes of expression chosen ... are clearly not necessary to the idea of the status screen’).

We agree with the approach taken in these decisions, and conclude that application of the merger doctrine in this setting is an effective way to eliminate non-protectable expression contained in computer programs.

(b) Elements dictated by external factors

We have stated that where ‘it is virtually impossible to write about a particular historical era or fictional theme without employing certain
“stock” or standard literary devices’, such expression is not copyrightable, *Hoehling v Universal City Studios, Inc*, 618 F 2d 972, 979 (2nd Cir), cert denied, 449 US 841 (1980). For example, the *Hoehling* case was an infringement suit stemming from several works on the Hindenberg disaster. There we concluded that similarities in representations of German beer halls, scenes depicting German greetings such as ‘Heil Hitler’, or the singing of certain German songs would not lead to a finding of infringement because they were ‘indispensable, or at least standard, in the treatment of life in Nazi Germany, *id* (quoting *Alexander v Haley*, 460 F Supp 40, 45 (SDNY 1978)). This is known as the *scenes a faire* doctrine, and like ‘merger,’ it has its analogous application to computer programs. Cf *Data East USA*, 862 F 2d at 208 (applying *scenes a faire* to a home computer video game).

Professor Nimmer points out that ‘in many instances it is virtually impossible to write a program to perform particular functions in a specific computing environment without employing standard techniques’, 3 Nimmer § 13.03[F][3], at 13–65. This is a result of the fact that a programmer’s freedom of design choice is often circumscribed by extrinsic considerations such as:

1. the mechanical specifications of the computer on which a particular program is intended to run;
2. compatibility requirements of other programs with which a program is designed to operate in conjunction;
3. computer manufacturers’ design standards;
4. demands of the industry being serviced; and
5. widely accepted programming practices within the computer industry, *id* at 13–66–71.

Courts have already considered some of these factors in denying copyright protection to various elements of computer programs. In the *Plains Cotton* case, the Fifth Circuit refused to reverse the district court’s denial of a preliminary injunction against an alleged program infringer because, in part, ‘many of the similarities between the ... programs [were] dictated by the externalities of the cotton market’, 807 F 2d at 1262.

In *Manufacturers Technologies*, the district court noted that the program’s method of screen navigation ‘is influenced by the type of hardware that the software is designed to be used on’, 706 F Supp at 995. Because, in part, ‘the functioning of the hardware package impacted and constrained the type of navigational tools used in plaintiff’s screen displays’, the court denied copyright protection to that aspect of the program, *cf Data East USA*, 862 F 2d at 209 (reversing a district court’s finding of audio-visual work infringement because, *inter alia*, ‘the use of the Commodore computer for a karate game intended for home consumption is subject to various constraints inherent in the use of that computer’).
Finally, the district court in *Q-Co Industries* rested its holding on what, perhaps, most closely approximates a traditional *scenes a faire* rationale. There, the court denied copyright protection to four program modules employed in a teleprompter program. This decision was ultimately based upon the court’s finding that ‘the same modules would be an inherent part of any prompting program’, 625 F Supp at 616.

Building upon this existing case law, we conclude that a court must also examine the structural content of an allegedly infringed program for elements that might have been dictated by external factors.

(c) Elements taken from the public domain

Closely related to the non-protectability of *scenes a faire*, is material found in the public domain. Such material is free for the taking and cannot be appropriated by a single author even though it is included in a copyrighted work. See *E F Johnson Co v Uniden Corp of America*, 623 F Supp 1485, 1499 (D Minn 1985); see also *Sheldon*, 81 F 2d at 54. We see no reason to make an exception to this rule for elements of a computer program that have entered the public domain by virtue of freely accessible program exchanges and the like. See 3 Nimmer § 13.03M; see also *Brown Bag Software*, slip op at 3732 (affirming the district court’s finding that ‘plaintiffs may not claim copyright protection of an ... expression that is, if not standard, then commonplace in the computer software industry’). Thus, a court must also filter out this material from the allegedly infringed program before it makes the final enquiry in its substantial similarity analysis.

**Step 3: comparison**

The third and final step of the test for substantial similarity that we believe appropriate for non-literal program components entails a comparison. Once a court has sifted out all elements of the allegedly infringed program which are ‘ideas’ or are dictated by efficiency or external factors, or taken from the public domain, there may remain a core of protectable expression. In terms of a work’s copyright value, this is the golden nugget, see *Brown Bag Software*, slip op at 3738. At this point, the court’s substantial similarity inquiry focuses on whether the defendant copied any aspect of this protected expression, as well as an assessment of the copied portion’s relative importance with respect to the plaintiffs overall program. See 3 Nimmer § 13.03[F][5]; *Data East USA*, 862 F 2d at 208 (‘To determine whether similarities result from unprotectable expression, analytic dissection of similarities may be performed. If ... all similarities in expression arise from use of common ideas, then no substantial similarity can be found.’)

3) Policy considerations

We are satisfied that the three-step approach we have just outlined not only comports with, but advances the constitutional policies underlying the Copyright Act. Since any method that tries to distinguish idea from expression ultimately impacts on the scope of copyright protection afforded to a particular type of work, ‘the line [it draws] must be a
pragmatic one, which also keeps in consideration “the preservation of the balance between competition and protection”, Apple Computer, 714 F 2d at 1253 (citation omitted).

CA and some amici argue against the type of approach that we have set forth on the grounds that it will be a disincentive for future computer program research and development. At bottom, they claim that if programmers are not guaranteed broad copyright protection for their work, they will not invest the extensive time, energy and funds required to design and improve program structures. While they have a point, their argument cannot carry the day. The interest of the copyright law is not in simply conferring a monopoly on industrious persons, but in advancing the public welfare through rewarding artistic creativity, in a manner that permits the free use and development of non-protectable ideas and processes.

In this respect, our conclusion is informed by Justice Stewart’s concise discussion of the principles that correctly govern the adaptation of the copyright law to new circumstances. In Twentieth-Century Music Corp v Aiken, he wrote:

The limited scope of the copyright holder’s statutory monopoly, like the limited copyright duration required by the Constitution, reflects a balance of competing claims upon the public interest: creative work is to be encouraged and rewarded, but private motivation must ultimately serve the cause of promoting broad public availability of literature, music, and the other arts. The immediate effect of our copyright law is to secure a fair return for an ‘author’s’ creative labour. But the ultimate aim is, by this incentive, to stimulate artistic creativity for the general public good ... When technological change has rendered its literal terms ambiguous, the Copyright Act must be construed in light of this basic purpose, 422 US 151, 156 (1975) (citations and footnotes omitted).

Recently, the Supreme Court has emphatically reiterated that ‘the primary objective of copyright is not to reward the labour of authors ... ’, Feist Publications, Inc v Rural Telephone Service Co, 111 S Ct 1282, 1290 (1991) (emphasis added). While the Feist decision deals primarily with the copyrightability of purely factual compilations, its underlying tenets apply to much of the work involved in computer programming. Feist put to rest the ‘sweat of the brow’ doctrine in copyright law, id at 1295. The rationale of that doctrine ‘was that copyright was a reward for the hard work that went into compiling facts’, id at 1291. The court flatly rejected this justification for extending copyright protection, noting that it ‘eschewed the most fundamental axiom of copyright law – that no one may copyright facts or ideas’, id.

Feist teaches that substantial effort alone cannot confer copyright status on an otherwise uncopyrightable work. As we have discussed, despite the fact that significant labour and expense often goes into computer program flow-charting and debugging, that process does not always result in
inherently protectable expression. Thus, *Feist* implicitly undercuts the *Whelan* rationale, ‘which allowed copyright protection beyond the literal computer code ... [in order to] provide the proper incentive for programmers by protecting their most valuable efforts’, *Whelan*, 797 F.2d at 1237 (footnote omitted). We note that *Whelan* was decided prior to *Feist* when the ‘sweat of the brow’ doctrine still had vitality. In view of the Supreme Court’s recent holding, however, we must reject the legal basis of CA’s disincentive argument.

Furthermore, we are unpersuaded that the test we approve today will lead to the dire consequences for the computer program industry that plaintiff and some *amicis* predict. To the contrary, serious students of the industry have been highly critical of the sweeping scope of copyright protection engendered by the *Whelan* rule, in that it ‘enables first comers to “lock up” basic programming techniques as implemented in programs to perform particular tasks’, Menell, at 1087; see also Spivack, at 765 (*Whelan* ‘results in an inhibition of creation by virtue of the copyright owner’s quasi-monopoly power’).

To be frank, the exact contours of copyright protection for non-literal program structure are not completely clear. We trust that as future cases are decided, those limits will become better defined. Indeed, it may well be that the Copyright Act serves as a relatively weak barrier against public access to the theoretical interstices behind a program’s source and object codes. This results from the hybrid nature of a computer program, which, while it is literary expression, is also a highly functional, utilitarian component in the larger process of computing.

Generally, we think that copyright registration – with its undiscriminating availability – is not ideally suited to deal with the highly dynamic technology of computer science. Thus far, many of the decisions in this area reflect the courts’ attempt to fit the proverbial square peg in a round hole. The district court, see *Computer Associates*, 775 F Supp at 560, and at least one commentator have suggested that patent registration, with its exacting up-front novelty and non-obviousness requirements, might be the more appropriate rubric of protection for intellectual property of this kind. See Randell M Whitmeyer, ‘Comment, A Plea for Due Processes: Defining the Proper Scope of Patent Protection for Computer Software’ 85 NW U L REV 1103, 1123–25 (1991); see also *Lotus Dev Corp v Borland Int'l, Inc*, 788 F Supp 78, (D Mass 1992) (discussing the potentially supplemental relationship between patent and copyright protection in the context of computer programs). In any event, now that more than 12 years have passed since CONTU issued its final report, the resolution of this specific issue could benefit from further legislative investigation – perhaps a CONTU 2.

In the meantime, Congress has made clear that computer programs are literary works entitled to copyright protection. Of course, we shall abide by these instructions, but in so doing we must not impair the overall integrity of copyright law. While incentive based arguments in favour of broad copyright protection are perhaps attractive from a pure policy perspective, see *Lotus Dev Corp*, 740 F Supp at 58, ultimately, they have a corrosive effect on certain fundamental tenets of copyright doctrine. If the test we
have outlined results in narrowing the scope of protection, as we expect it will, that result flows from applying, in accordance with congressional intent, long-standing principles of copyright law to computer programs. Of course, our decision is also informed by our concern that these fundamental principles remain undistorted.

**ORIGINAL LITERARY, DRAMATIC AND MUSICAL WORKS**

**Literary works**


(1) In this part:

‘literary work’ means any work, other than a dramatic or musical work, which is written, spoken or sung, and accordingly includes:

(a) a table or compilation;
(b) a computer program; and
(c) preparatory design material for a computer program.

‘dramatic work’ includes a work of dance or mime; and

‘musical work’ means a work consisting of music, exclusive of any words or action intended to be sung, spoken or performed with the music.

(2) Copyright does not subsist in a literary, dramatic or musical work unless and until it is recorded, in writing or otherwise; and references in this part to the time at which such a work is made are to the time at which it is so recorded.

(3) It is immaterial for the purposes of subsection (2) whether the work is recorded by or with the permission of the author; and where it is not recorded by the author, nothing in that subsection affects the question whether copyright subsists in the record as distinct from the work recorded.

This definition is expanded upon in *University of London Press v University Tutorial Press* [1916] 2 Ch 601 (Peterson J). Although the case was decided under the 1911 Act, which was replaced by the 1956 Copyright Act which was in turn replaced by the 1988 Act, the basic concept of a literary work remains the same – although new developments have been brought within the definition.

Section 1, subsection 1, of the Copyright Act of 1911 provides for copyright in ‘every original literary dramatic musical and artistic work’, subject to certain conditions which for this purpose are immaterial and the question is, therefore, whether these examination papers are, within the meaning of this Act, original literary works. Although a literary work is not defined in the Act, s 35 states what the phrase includes: the definition is not a completely comprehensive one, but the section is intended to show what, amongst other things, is
included in the description ‘literary work’, and the words ‘literary work’ include maps, charts, plans, tables and compilations. It may be difficult to define ‘literary work’ as used in this Act, but it seems to be plain that it is not confined to ‘literary work’ in the sense in which the phrase is applied, for instance, to Meredith’s novels and the writings of Robert Louis Stevenson. In speaking of such writings as literary works, one thinks of the quality, the style, and the literary finish which they exhibit. Under the Act of 1842, which protected ‘books’, many things which had no pretensions to literary style acquired copyright; for example, a list of registered bills of sale, a list of foxhounds and hunting days, and trade catalogues; and I see no ground for coming to the conclusion that the present Act was intended to curtail the rights of authors. In my view the words ‘literary work’ cover work which is expressed in print or writing, irrespective of the question whether the quality or style is high. The word ‘literary’ seems to be used in a sense somewhat similar to the use of the word ‘literature’ in political or electioneering literature and refers to written or printed matter. Papers set by examiners are, in my opinion, ‘literary work’ within the meaning of the present Act.

Assuming that they are a ‘literary work’, the question then is whether they are original. The word ‘original’ does not in this connection mean that the work must be the expression of original or inventive thought. Copyright Acts are not concerned with the originality of ideas, but with the expression of thought, and, in the case of ‘literary work’, with the expression of thought in print or writing. The originality which is required relates to the expression of the thought. But the Act does not require that the expression must be in an original or novel form, but that the work must not be copied from another work – that it should originate from the author. In the present case it was not suggested that any of the papers were copies. Professor Lodge and Mr Jackson proved that they had thought out the questions which they set, and that they made notes or memoranda for future questions and drew on those notes for the purposes of the questions which they set. The papers which they prepared originated from themselves, and were, within the meaning of the Act, original.

It was said, however, that they drew upon the stock of knowledge common to mathematicians, and that the time spent in producing the questions was small. These cannot be tests for determining whether copyright exists. If an author, for purposes of copyright, must not draw on the stock of knowledge which is common to himself and others who are students of the same branch of learning, only those historians who discovered fresh historical facts could acquire copyright for their works. If time expended is to be the test, the rapidity of an author like Lord Byron in producing a short poem might be an impediment in the way of acquiring copyright, and, the completer his mastery of his subject, the smaller would be the prospect of the author’s success in maintaining his claim to copyright.

The inclusion within the definition of compilations is significant. The courts have held a variety of compilations of factual information to be protected: railway timetables and (as here) football pools coupons have received copyright protection. In Greyhound Racing Association v Challis the court refused protection to a list of runners in a greyhound race, after hearing that it
had been compiled by pulling numbers out of a hat. *Ladbroke (Football) v Wm Hill* [1964] 1 All ER 465 (HL) is a key case which sets out the basis on which such material is protected. Lord Reid said:

[A] coupon is a sheet of paper on which are printed various lists of forthcoming matches between well-known teams. One called ‘Nothing Barred’ is a full list of some 50 matches. The others are shorter lists of matches selected by the bookmaker from the full list. The bets offered in respect of these lists vary in character. From some the punter must pick a certain number of winners. From others he must pick so many home or away wins or draws or a combination of these. And there are other kinds of bets offered. The variety of bets offered is very great. The respondents’ coupon contained 16 lists each with an appropriate name, and we were told that no less than 148 different varieties of bet were offered if one adds up all those offered under each list. Naturally the odds offered differ widely from as low as 5-2 to as high as 20,000–1. And the respondents have one list of peculiar difficulty where they offer £100,000 for two pence. It is not disputed that a vast amount of skill, judgment, experience and work has gone into the building up of the respondents’ coupon. There is keen competition in this field. If the bookmaker selects matches too easy to forecast, or offers too favourable odds, he may lose very large sums. If his selections of types of bet, matches and odds do not appeal to punters they will go to rival firms. It appears that the respondents have not altered the general form of their coupon since 1951. They only occasionally alter the odds offered for each type of bet. What is new each week is the selection of matches which are to go into the lists.

When the appellants decided to enter this field they had to devise a suitable form of coupon. Their manager who was given this task was formerly employed by the respondents, but it appears that he tried to devise a form of coupon substantially different from the respondents’ coupon. The coupons of some twenty other firms in the business were produced at the trial, and, while they have a general similarity, they vary very much in the nature of their lists and the variety of bets offered in respect of many of the lists. Most of them were studied by the appellants’ manager, but his proposals were rejected by the appellants’ managing director, who adopted a form closely similar to the respondents’ coupon. The respondents had 16 lists: the appellants’ coupon contains 15 of these lists, all of which appear in the same order as in the respondents’ coupon. Moreover, the varieties of bets offered by the appellants in each of these 15 lists are almost identical with the others by the respondents in their corresponding list. It is true that, with I think one exception, each of these lists is to be found in one or more of the other bookmakers’ coupons and some are to be found in most all of them. But the appellants do not suggest that the close resemblance between their coupon and the respondents’ coupon is fortuitous. They admit that a good deal was simply copied from the respondents, and they say that they were entitled to do that. By no means everything was copied. For some of the lists they devised new names or headings, and the learned trial judge has found that they worked out for themselves the hundred or more different odds offered in respect of the various kinds of bets. It was impossible to copy the selections of matches: the selections must be from the matches to take place in the following week, so
there would not be time for one bookmaker to copy from the coupon of
another matter which alters every week.

The first question to be determined is whether or to what extent copyright
attaches to these coupons. The respondents say that a coupon must be
regarded as a single work and that as such it is protected by copyright. The
appellants seek to dissect the coupon. They would not only dissect it into the
16 lists, but they would further dissect each list into heading, selection of
matches, and statement of odds offered for the various kinds of bets. They
admit that there is copyright in the selection and in the statements of odds
offered: they can safely do that because there they did not copy. But they deny
any copyright as regards the rest of the coupon. The Copyright Act 1956,
provides, by s 2, that copyright shall subsist in every original literary work
and, by s 48, that literary work includes any written table or compilation. I
have no doubt that the coupon must be treated as a single compilation. The
appellants’ dissection theory is derived from some statements in infringement
cases and I must, therefore, examine at this point the law regarding
infringement. Copyright gives the exclusive right to do certain things
including ‘reproducing the work in any material form’ (s 2(5)(a)), and
reproduction includes reproduction of a substantial part of the work (s 49(a)).
Broadly, reproduction means copying, and does not include cases where an
author or compiler produces a substantially similar result by independent
work without copying. If he does copy, the question whether he has copied a
substantial part depends more on the quality than on the quantity of what he
has taken. One test may be whether the part which he has taken is novel or
striking, or is merely a commonplace arrangement of ordinary words or well-
known data. So it may sometimes be a convenient short cut to ask whether the
part taken could itself be the subject of copyright. But, in my view, that is only
a short cut, and the more correct approach is first to determine whether the
plaintiff’s work as a whole is ‘original’ and protected by copyright, and then to
enquire whether the part taken by the defendant is substantial. A wrong result
can easily be reached if one begins by dissecting the plaintiff’s work and
asking, could section A be the subject of copyright if it stood by itself, could
section B be protected if it stood by itself, and so on. To my mind, it does not
follow that, because other fragments taken separately would not be copyright,
therefore the whole cannot be. Indeed, it has often been recognised that if
sufficient skill and judgment have been exercised in devising the arrangements
of the whole work, that can be an important or even decisive element in
deciding whether the work as a whole is protected by copyright.

The appellants relied on cases where it has been held that in general the title of
a work is not copyright. Those cases are dealt with by Lord Wright in the
judgment of the Privy Council in Francis Day and Hunter Ltd v Twentieth-
Century Fox Corp’n Ltd [1940] AC 112 and I think that he rightly expressed the
principle when he said (p 123–24):

The copying which is complained of is the use of the title, and that is too
insubstantial on the facts of this case to constitute an infringement.

None of the decisions cited in argument appears to me to conflict with the
view that one must first decide whether the part taken is a substantial part. The
only apparent exception would seem to be a case such as *Leslie v Young & Sons* ([1894] AC 335) where a compilation was treated as consisting of severable parts, one of which was held to be original work and copyright while the rest was not. The appellants’ main argument was based on quite a different ground. They deny that the respondents’ coupon is an original compilation. There is no dispute about the meaning of the term ‘original’: in the present case, it is permissible to take into account all the skill, judgment and labour expended in producing the respondents’ coupon, there can be no doubt that it is ‘original’. But the appellants say that the coupon must be regarded as having been produced in two stages: first, the respondents had to decide what kind of business they would do – what kinds of bets they would offer to their clients – and then they had to write these out on paper. The appellants say that it is only the skill, judgment and labour involved in the latter stage that can be considered and that that part of their operation involved so little skill, judgment or labour that it cannot qualify as ‘original’. In fact the respondents did not proceed in that way. Their business was to devise a coupon which would appeal to the betting public, and its form and arrangement were not something dictated by previous decisions about the nature of the bets to be offered. The appellants likened the coupon to a trader’s catalogue of his wares, and argued that in considering whether a catalogue is entitled to copyright, one must disregard the maker’s skill and work in deciding what wares he will stock for sale and only consider the skill and labour involved in the actual preparation of the catalogue. I do not think that that is a true analogy. Even in the case of a catalogue there may be a question whether the work in deciding what to sell and the work in deciding how to sell it are not so interconnected as to be inseparable. Copyright in a catalogue in no way prevents honest competition – any other trader can decide to stock and sell any or all of the catalogued articles, and he can thereafter make a new catalogue of his own wares. What he must not do is simply to copy the other trader’s catalogue.

The subsistence of copyright in a compilation has always been important: in the information age, it is infinitely more so. In *Independent Television Publications v Time Out* [1984] FSR 64 Whitford J explored how copyright copes with collections of factual material.

The plaintiffs in both actions say that these are compilations qualifying for protection under s 2(1) of the Act of 1956 as literary works. By the definition section, s 48(1), ‘“literary work” includes any written table or compilation’. The putting together of a number of items will, as I understand the meaning of the word, produce a compilation. In *British Broadcasting Company v Wireless League Gazette Publishing Company* [1926] Ch 433, Astbury J held that, whether or not there might be copyright in an individual item defining a programme, there would be ‘copyright in a compilation of several advance programmes’ (see p 442). In my view the daily programme schedules are compilations. Mr Jacob (for the defendants) was prepared to accept that a sufficient degree of skill and labour goes into the production of these daily programme schedules to justify a claim to copyright were it not for the fact that what is being done, so he says, is no more than creating information – information as to forthcoming programmes. Mere information, Mr Jacob says, cannot be the subject of
copyright protection and the plaintiffs’ claim accordingly falls to the grounds, for the daily programme schedules are information and nothing else.

Now it is plain from the report of Mr Macgillivray’s argument that it was argued before Astbury J that there can be no copyright in a mere list. It is equally plain that Astbury J did not accept this argument.

Mr Jacob referred me to quite a number of authorities in which it has been pointed out that there is no copyright in information as such. He started with a case way back in 1806 of *Matthewson v Stockdale* and he went on to somewhat more recent times, with *Leslie v Young* [1894] AC 335. In his speech in this latter case Lord Herschell observed at p 340 that:

> The mere publication in any particular order of the timetables which are to be found in railway guides and the publications of the different railway companies could not be claimed as a subject-matter of copyright. Proceedings could not be taken against a person who merely published that information which it was open to all the world to publish and to obtain from the same source.

One question before the House was whether the plaintiffs’ abridgment of certain railway timetables was a proper subject of copyright. The House held that it was. They further held that there was infringement unless it is apparent from the opinions of their Lordships that they were of the view that a mere copy of timetables would not create a separate copyright in such copies, the question as to whether there was copyright in the original timetables was not before the House, and the case does not decide, as I think Mr Jacob sought to suggest, that there can be no copyright in, for example, a railway timetable. It must of course also be remembered that this case was heard before the Act of 1911, which for the first time (see s 35(1)) expressly brought compilations within the definition of ‘literary work’.

*Chilton v Progress Printing Company* [1895] 2 Ch 29 was a case in which it was decided that the plaintiffs’ list of forecasted winners at a race meeting was not in the nature of a literary composition and that what the plaintiffs were seeking to do was to protect their opinion as to the likely winners. In cases subsequent to the Act of 1911, however, lists of brood mares and their sires and stallions and their daughters have been protected, as has, under a comparable statute in Australia, a list of weights and acceptances for horse races: *Winterbotham v Wintle* (1947) 50 WALR 58.

The most recent citation by Mr Jacob on the question of ‘mere information’ was from the judgment of Goff LJ in *Elanco Products Ltd v Mandops (Agricultural Specialists) Ltd* [1980] RPC 213. It was a case on motion in which Goff LJ observed (see p 52) that the compilation cases are based essentially upon the plaintiffs being able to establish the requisite degree of skill and labour in making the compilation as distinct from ascertaining the information. This observation I think must be subject to some reservation in the light of a decision of Upjohn J to which I shall be coming.

*Elanco v Mandops* was a case in which Goff LJ cited with approval a passage from the judgment of the Vice Chancellor in *Scott v Stanford* (1867) LR 3 Eq 723: ‘No man is entitled to avail himself of the previous labour of another for the purpose of conveying to the public the same information’. It was a case in which Goff LJ repeated the oft-
cited words that there is no copyright in information or ideas. But again it was a case in which the existence of copyright in compilations as such or the possibility of such existence was reaffirmed.

Anyone reading a copyright work based upon publicly available information is of course free to go away and, starting with that public source and from that source, to produce his own work which may correspond very closely with the work of the earlier author. What he is not entitled to do is to take a short cut. I have spoken about ‘publicly available information’. There is nothing in the Act which gives to the public at large the right to copy a compilation merely because the information contained in that compilation is not available from any other source. It would be strange if this were the case, for in the making of a compilation the generation of the relevant information may involve very much more of that skill and labour which is thought worthy of protection than any arrangement of the information once it becomes available. To apply this to the present case, it seems to me that, though the requisite degree of skill and labour went into both activities, more skill and labour was involved in getting out the daily programme schedules than in producing the listing in the TV Times and Radio Times.

Naturally enough reference on both sides was made to the judgment of Upjohn J in Football League Limited v Littlewoods Pools Limited [1959] Ch 637. This was a case concerned with football fixture lists produced by the plaintiffs and used by the defendants in the making up of their pools entry forms. As in the present case there were various stages in the production of the ‘chronological list’ which was the compilation alleged to be infringed. Arguments in this case, which as I understood it were very similar to the arguments advanced before me by Mr Jacob, are dealt with by Upjohn J.

Every case must depend on its own facts. It is perfectly true that Sutcliffe was not employed to produce a work of art per se nor even a work primarily as a book of reference, such as a directory or a railway guide, but he was employed to produce the best possible programme of fixtures. The League’s duty is to arrange the best possible programme of games, to please the football public in general and the clubs’ finances in particular, and they can only do that by producing a list or lists of those games. If, as a result of prolonged cogitations, Sutcliffe reaches the conclusion that it will be best if, for example, Arsenal plays Manchester City at Highbury on 20 September 1958 (as the programme provided) he is doing so no doubt primarily because that is best from the point of view of League football, but if, as a result of the whole of his prolonged and skilled cogitations, he produced in a particular form the season’s list consisting of 2,028 matches or thereabouts, in my judgment, he or the League (who have, by direct assignment, any copyright which might otherwise vest in him) are entitled to claim that the chronological list is produced as a result of the entire skill, labour, time, judgment and ingenuity of the League, their servants and agents. In my judgment, on the facts of this case, it is not open to the defendants to try and dissect and break down the efforts of Sutcliffe in the way suggested. Accordingly, in my judgment, the plaintiffs are entitled to copyright in the chronological list.
Upjohn J came to the conclusion that there was sufficient work in the
deposition of the chronological list for the club to justify the separate claim to
copyright and, indeed, that the work done was sufficient to justify a copyright
claim at all relevant stages.

In this case again Mr Jacob submitted that there is a holding that there is no
copyright in information but only in presentation, that is, in the particular
arrangement of the information, and I understand him to be submitting that, as
the daily programme schedules were mere information, they cannot be said to
have a form and accordingly are not compilations, this upon the basis that the
order of presentation hour by hour is part of the information.

In the US, the Supreme Court has placed strict limitations on the protection
afforded to collections of information. Where the English courts have looked
for skill, labour and judgment on the part of the author to show that it was
their original work, the American courts have traditionally looked for sweat of
the brow – which amounts to much the same thing, although American
jurisprudence tends to be couched in more graphic terms than its English
equivalent.

That Supreme Court case was Feist Publications Inc v Rural Telephone Co 499

Justice O'Connor delivered the opinion of the court.

This case requires us to clarify the extent of copyright protection available to
telephone directory white pages.

Rural Telephone Service Company, Inc, is a certified public utility that
provides telephone service to several communities in northwest Kansas. It is
subject to a State regulation that requires all telephone companies operating in
Kansas to issue annually an updated telephone directory. Accordingly, as a
condition of its monopoly franchise, Rural publishes a typical telephone
directory, consisting of white pages and yellow pages. The white pages list in
alphabetical order the names of Rural’s subscribers, together with their towns
and telephone numbers. The yellow pages list Rural’s business subscribers
alphabetically by category and feature classified advertisements of various
sizes. Rural distributes its directory free of charge to its subscribers, but earns
revenue by selling yellow pages advertisements.

Feist Publications, Inc, is a publishing company that specialises in area-wide
telephone directories. Unlike a typical directory, which covers only a particular
calling area, Feist’s area-wide directories cover a much larger geographical
range, reducing the need to call directory assistance or consult multiple
directories. The Feist directory that is the subject of this litigation covers 11
different telephone service areas in 15 counties and contains 46,878 white
pages listings compared to Rural’s approximately 7,700 listings. Like Rural’s
directory, Feist’s is distributed free of charge and includes both white pages
and yellow pages. Feist and Rural compete vigorously for yellow pages
advertising.

As the sole provider of telephone service in its service area, Rural obtains
subscriber information quite easily. Persons desiring telephone service must
apply to Rural and provide their names and addresses; Rural then assigns them a telephone number. Feist is not a telephone company, let alone one with monopoly status, and therefore lacks independent access to any subscriber information. To obtain white pages listings for its area-wide directory, Feist approached each of the 11 telephone companies operating in northwest Kansas and offered to pay for the right to use its white pages listings.

Of the 11 telephone companies, only Rural refused to license its listings to Feist. Rural’s refusal created a problem for Feist, as omitting these listings would have left a gaping hole in its area-wide directory, rendering it less attractive to potential yellow pages advertisers. In a decision subsequent to that which we review here, the district court determined that this was precisely the reason Rural refused to license its listings. The refusal was motivated by an unlawful purpose ‘to extend its monopoly in telephone service to a monopoly in yellow pages advertising’, Rural Telephone Service Co v Feist Publications, Inc 737 F Supp 610, 622 (Kan 1990).

Unable to license Rural’s white pages listings, Feist used them without Rural’s consent. Feist began by removing several thousand listings that fell outside the geographic range of its area-wide directory, then hired personnel to investigate the 4,935 that remained. These employees verified the data reported by Rural and sought to obtain additional information. As a result, a typical Feist listing includes the individual’s street address; most of Rural’s listings do not. Notwithstanding these additions, however, 1,309 of the 46,878 listings in Feist’s 1983 directory were identical to listings in Rural’s 1982–83 white pages, App 54 (715–16), 57. Four of these were fictitious listings that Rural had inserted into its directory to detect copying.

Rural sued for copyright infringement in the district court for the District of Kansas taking the position that Feist, in compiling its own directory, could not use the information contained in Rural’s white pages. Rural asserted that Feist’s employees were obliged to travel door-to-door or conduct a telephone survey to discover the same information for themselves. Feist responded that such efforts were economically impractical and, in any event, unnecessary because the information copied was beyond the scope of copyright protection. The district court granted summary judgment to Rural, explaining that ‘[c]ourts have consistently held that telephone directories are copyrightable’ and citing a string of lower court decisions, 663 F Supp 214, 218 (1987). In an unpublished opinion, the Court of Appeals for the Tenth Circuit affirmed ‘for substantially the reasons given by the district court’, App to Pet for Cert 4a, judgt order reported at 916 F 2d 718 (1990). We granted certiorari, 498 US 808, 112 L Ed 2d 17, 111 S Ct 40 (1990), to determine whether the copyright in Rural’s directory protects the names, towns, and telephone numbers copied by Feist.

This case concerns the interaction of two well-established propositions. The first is that facts are not copyrightable; the other, that compilations of facts generally are. Each of these propositions possesses an impeccable pedigree. That there can be no valid copyright in facts is universally understood. The most fundamental axiom of copyright law is that ‘[n]o author may copyright his ideas or the facts he narrates’, Harper & Row, Publishers, Inc v Nation
Enterprises, 471 US 539, 556, 85 L Ed 2d 588, 105 S Ct 2218 (1985). Rural wisely concedes this point, noting in its brief that ‘facts and discoveries, of course, are not themselves subject to copyright protection’, brief for respondent 24. At the same time, however, it is beyond dispute that compilations of facts are within the subject-matter of copyright. Compilations were expressly mentioned in the Copyright Act 1909, and again in the Copyright Act 1976.

There is an undeniable tension between these two propositions. Many compilations consist of nothing but raw data – ie wholly factual information – not accompanied by any original written expression. On what basis may one claim a copyright in such a work? Common sense tells us that 100 uncopyrightable facts do not magically change their status when gathered together in one place. Yet copyright law seems to contemplate that compilations that consist exclusively of facts are potentially within its scope.

The key to resolving the tension lies in understanding why facts are not copyrightable. The sine qua non of copyright is originality. To qualify for copyright protection, a work must be original to the author, see Harper & Row, above, at 547–49, 85 L Ed 2d 588, 105 S Ct 2218. Original, as the term is used in copyright, means only that the work was independently created by the author (as opposed to copied from other works), and that it possesses at least some minimal degree of creativity, I M Nimmer and D Nimmer, Copyright §§ 2.01[A] [B] (1990) (hereinafter Nimmer). To be sure, the requisite level of creativity is extremely low; even a slight amount will suffice. The vast majority of works make the grade quite easily, as they possess some creative spark, ‘no matter how crude, humble or obvious’ it might be, id, § 1.08 [C][l]. Originality does not signify novelty; a work may be original even though it closely resembles other works so long as the similarity is fortuitous, not the result of copying. To illustrate, assume that two poets, each ignorant of the other, compose identical poems. Neither work is novel, yet both are original and, hence, copyrightable, see Sheldon v Metro-Goldwyn Pictures Corp 81 F 2d 49, 54 (CA 2 1936).

Originality is a constitutional requirement. The source of Congress’s power to enact copyright laws is Article 1, § 8, c l 8, of the Constitution, which authorises Congress to ‘secur[e] for limited times to authors ... the exclusive right to their respective writings’. In two decisions from the late 19th century – The Trademark Cases, 100 US 82, 25 L Ed 550 (1879); and Burrow-Giles Lithographic Co v Sarony, 111 US 53, 28 L Ed 349, 4 S Ct 279 (1884) this court defined the crucial terms ‘authors’ and ‘writings’. In so doing, the court made it unmistakably clear that these terms presuppose a degree of originality.

In The Trademark Cases, the court addressed the constitutional scope of ‘writings’. For a particular work to be classified ‘under the head of writings of authors’, the court determined, ‘originality is required’, 100 US, at 94, 25 L Ed 550. The court explained that originality requires independent creation plus a modicum of creativity: ‘While the word writings may be liberally construed, as it has been, to include original designs for engraving, prints, etc, it is only such as are original, and are founded in the creative powers of the mind. The writings which are to be protected are the fruits of intellectual labour, embodied in the form of books, prints, engravings, and the like’, ibid (emphasis in original).
In *Burrow-Giles*, the court distilled the same requirement from the Constitution’s use of the word ‘authors’. The court defined ‘author’, in a constitutional sense, to mean ‘he to whom anything owes its origin; originator; maker’, 111 US, at 58, 28 L Ed 349, 4 S Ct 279 (internal quotation marks omitted). As in The Trademark Cases, the court emphasised the creative component of originality. It described copyright as being limited to ‘original intellectual conceptions of the author’, 111 US, at 58, 28 L Ed 349, 4 S Ct 279, and stressed the importance of requiring an author who accuses another of infringement to prove ‘the existence of those facts of originality, of intellectual production, of thought, and conception’, id, at 59–60, 28 L Ed 349, 4 S Ct 279.


It is this bedrock principle of copyright that mandates the law’s seemingly disparate treatment of facts and factual compilations. ‘No one may claim originality as to facts’, id, § 2.11[A], p 2–157. This is because facts do not owe their origin to an act of authorship. The distinction is one between creation and discovery: the first person to find and report a particular fact has not created the fact; he or she has merely discovered its existence. To borrow from *Burrow-Giles*, one who discovers a fact is not its ‘maker’ or ‘originator’, 111 US, at 58, 28 L Ed 349, 4 S Ct 279. ‘The discoverer merely finds and records’. Nimmer § 2.03[E]. Census takers, for example, do not ‘create’ the population figures that emerge from their efforts; in a sense, they copy these figures from the world around them, Denicola, ‘Copyright in Collections of Facts: A Theory for the Protection of Non-fiction Literary Works’ 81 Colum L Rev 516, 525 (1981) (hereinafter Denicola). Census data therefore do not trigger copyright because these data are not ‘original’ in the constitutional sense, Nimmer [499] US 3481 § 2.03[E]. The same is true of all facts – scientific, historical, biographical, and news of the day. ‘[T]hey may not be copyrighted and are part of the public domain available to every person’, *Miller*, above, at 1369.

Factual compilations, on the other hand, may possess the requisite originality. The compilation author typically chooses which facts to include, in what order to place them, and how to arrange the collected data so that they may be used effectively by readers. These choices as to selection and arrangement, so long as they are made independently by the compiler and entail a minimal degree of creativity, are sufficiently original that Congress may protect such compilations through the copyright laws. Nimmer §§ 2.11[D], 3.03; Denicola
523, n 38. Thus, even a directory that contains absolutely no protectable written expression, only facts, meets the constitutional minimum for copyright protection if it features an original selection or arrangement. See Harper & Row, 471 US, at 547, 85 L Ed 2d 588, 105 S Ct 2218; accord, Nimmer § 3.03.

This protection is subject to an important limitation. The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the sine qua non of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author, Patterson and Joyce 800–02; Ginsburg, ‘Creation and Commercial Value: Copyright Protection of Works of Information’ 90 Colum L Rev 1865, 1868, and n 12 (1990) (hereinafter Ginsburg). Thus, if the compilation author clothes facts with an original collocation of words, he or she may be able to claim a copyright in this written expression. Others may copy the underlying facts from the publication, but not the precise words used to present them. In Harper & Row, for example, we explained that President Ford could not prevent others from copying bare historical facts from his autobiography, see 471 US, at 556–57, 85 L Ed 2d 588, 105 S Ct 2218, but that he could prevent others from copying his ‘subjective descriptions and portraits of public figures’, id, at 563, 85 L Ed 2d 588, 100 S Ct 2218. Where the compilation author adds no written expression but rather lets the facts speak for themselves, the expressive element is more elusive. The only conceivable expression is the manner in which the compiler has selected and arranged the facts. Thus, if the selection and arrangement are original, these elements of the work are eligible for copyright protection. See Patry, ‘Copyright in Compilations of Facts (or Why the ‘White Pages’ Are not Copyrightable)’ 12 Com & Law 37, 64 (Dec 1990) (hereinafter Patry). No matter how original the format, however, the facts themselves do not become original through association, see Patterson and Joyce 776.

This inevitably means that the copyright in a factual compilation is thin. Notwithstanding a valid copyright, a subsequent compiler remains free to use the facts contained in another’s publication to aid in preparing a competing work, so long as the competing work does not feature the same selection and arrangement. As one commentator explains it: ‘[N]o matter how much original authorship the work displays, the facts and ideas it exposes are free for the taking ... [T]he very same facts and ideas may be divorced from the context imposed by the author, and restated or reshuffled by second comers, even if the author was the first to discover the facts or to propose the ideas’, Ginsburg 1868.

It may seem unfair that much of the fruit of the compiler’s labour may be used by others without compensation. As Justice Brennan has correctly observed, however, this is not ‘some unforeseen by-product of a statutory scheme’, Harper & Row, 471 US, at 589, 85 L Ed 2d 588, 105 S Ct 2218 (dissenting opinion). It is, rather, ‘the essence of copyright’, ibid, and a constitutional requirement. The primary objective of copyright is not to reward the labour of authors, but ‘[t]o promote the progress of science and useful arts’, Art 1, § 8, cl 8; accord, Twentieth-Century Music Corp v Aiken, 422 US 151, 156, 45 L Ed 2d 84, 95 S Ct 2040 (1975). To this end, copyright assures authors the right to their
original expression, but encourages others to build freely upon the ideas and information conveyed by a work, *Harper & Row*, above, at 556–57, 85 L Ed 2d 588, 105 S Ct 2218. This principle, known as the idea/expression or fact/expression dichotomy, applies to all works of authorship. As applied to a factual compilation, assuming the absence of original written expression, only the compiler’s selection and arrangement may be protected; the raw facts may be copied at will. This result is neither unfair nor unfortunate. It is the means by which copyright advances the progress of science and art.

This court has long recognised that the fact/expression dichotomy limits severely the scope of protection in fact-based works. More than a century ago, the court observed: ‘The very object of publishing a book on science or the useful arts is to communicate to the world the useful knowledge which it contains. But this object would be frustrated if the knowledge could not be used without incurring the guilt of piracy of the book’, *Baker v Selden*, 101 US 99, 103, 25 L Ed 841 (1880). We reiterated this point in *Harper & Row*:

[N]o author may copyright facts or ideas. The copyright is limited to those aspects of the work termed ‘expression’ – that display the stamp of the author’s originality.

[C]opyright does not prevent subsequent users from copying from a prior author’s work those constituent elements that are not original – for example ... facts, or materials in the public domain, as long as such use does not unfairly appropriate the author’s original contributions, 471 US, at 547–48, 85 L Ed 2d 588, 105 S Ct 2218 (citation omitted).

This, then, resolves the doctrinal tension: copyright treats facts and factual compilations in a wholly consistent manner. Facts, whether alone or as part of a compilation, are not original and therefore may not be copyrighted. A factual compilation is eligible for copyright if it features an original selection or arrangement of faces, but the copyright is limited to the particular selection or arrangement. In no event may copyright extend to the facts themselves.

As we have explained, originality is a constitutionally mandated prerequisite for copyright protection. The court’s decisions announcing this rule predate the Copyright Act 1909, but ambiguous language in the 1909 Act caused some lower courts temporarily to lose sight of this requirement.

The 1909 Act embodied the originality requirement, but not as clearly as it might have, see Nimmer § 2.01. The subject-matter of copyright was set out in §§ 3 and 4 of the Act. Section 4 stated that copyright was available to ‘all the writings of an author’, 35 Stat 1076. By using the words ‘writings’ and ‘author’ – the same words used in Article 1, § 8, of the Constitution and defined by the court in *The Trademark Cases and Burrow-Giles* – the statute necessarily incorporated the originality requirement articulated in the court’s decisions. It did so implicitly, however, thereby leaving room for error.

Section 3 was similarly ambiguous. It stated that the copyright in a work protected only ‘the copyrightable component parts of the work’. It thus stated an important copyright principle, but failed to identify the specific characteristic originality that determined which component parts of a work were copyrightable and which were not.
Most courts construed the 1909 Act correctly, notwithstanding the less-than-perfect statutory language. They understood from this court’s decisions that there could be no copyright without originality, see Patterson and Joyce 760–61. As explained in the Nimmer treatise: ‘The 1909 Act neither defined originality, nor even expressly required that a work be original in order to command protection. However, the courts uniformly inferred the requirement from the fact that copyright protection may only be claimed by “authors”... It was reasoned that since an author is “the ... creator, originator” it follows that a work is not the product of an author unless the work is original’, Nimmer § 2.01 (footnotes omitted) (citing cases).

But some courts misunderstood the statute. See, for example, Leon v Pacific Telephone & Telegraph Co 91 F 2d 484 (CA9 1937); Jeweler’s Circular Publishing Co v Keystone Publishing Co 281 F 83 (CA2 1922). These courts ignored §§ 3 and 4, focusing their attention instead on § 5 of the Act. Section 5, however, was purely technical in nature: it provided that a person seeking to register a work should indicate on the application the type of work, and it listed 14 categories under which the work might fall. One of these categories was ‘[b]ooks, including composite and cyclopedic works, directories, gazetteers, and other compilations’, § 5(a). Section 5 did not purport to say that all compilations were automatically copyrightable. Indeed, it expressly disclaimed any such function, pointing out that ‘the subject-matter of copyright [i]s defined in s 4’. Nevertheless, the fact that factual compilations were mentioned specifically in § 5 led some courts to infer erroneously that directories and the like were copyrightable per se, ‘without any further or precise showing of original-personal-authorship’, Ginsburg 1895.

Making matters worse, these courts developed a new theory to justify the protection of factual compilations. Known alternatively as ‘sweat of the brow’ or ‘industrious collection’, the underlying notion was that copyright was a reward for the hard work that went into compiling facts. The classic formulation of the doctrine appeared in Jeweler’s Circular Publishing Co 281 F 83, at 88:

The right to copyright a book upon which one has expended labour in its preparation does not depend upon whether the materials which he has collected consist or not of matters which are publici juris, or whether such materials show literary skill or originality, either in thought or in language, or anything more than industrious collection. The man who goes through the streets of a town and puts down the names of each of the inhabitants, with their occupations and their street number, acquires material of which he is the author (emphasis added).

The ‘sweat of the brow’ doctrine had numerous flaws, the most glaring being that it extended copyright protection in a compilation beyond selection and arrangement – the compiler’s original contributions to the facts themselves. Under the doctrine, the only defence to infringement was independent creation. A subsequent compiler was ‘not entitled to take one word of information previously published’, but rather had to ‘independently wor[k] out the matter for himself, so as to arrive at the same result from the same common sources of information’, id, at 88–89 (internal quotations omitted).
‘Sweat of the brow’ courts thereby eschewed the most fundamental axiom of copyright law – that no one may copyright facts or ideas. See Miller v Universal City Studios, Inc, 650 F 2d, at 1372 (criticising ‘sweat of the brow’ courts because ‘ensur[ing] that later writers obtain the facts independently ... is precisely the scope of protection given ... copyrighted matter, and the law is clear that facts are not entitled to such protection’).

Decisions of this court applying the 1909 Act make clear that the statute did not permit the ‘sweat of the brow’ approach. The best example is International News Service v Associated Press, 248 US 215, 63 L Ed 211, 39 S Ct 68, 2 ALR 293 (1918). In that decision, the court stated unambiguously that the 1909 Act conferred copyright protection only on those elements of a work that were original to the author. International News Service had conceded taking news reported by Associated Press and publishing it in its own newspapers. Recognising that § 5 of the Act specifically mentioned ‘Periodicals, including newspapers’, § 5(b), the court acknowledged that news articles were copyrightable, id, at 234, 63 L Ed 211, 39 S Ct 68, 2 ALR 293. It flatly rejected, however, the notion that the copyright in an article extended to the factual information it contained: ‘[T]he news element – the information respecting current events contained in the literary production – is not the creation of the writer, but is a report of matters that ordinarily are publici juris; it is the history of the day’, ibid.2

Without a doubt, the ‘sweat of the brow’ doctrine flouted basic copyright principles. Throughout history, copyright law has ‘recognise[d] a greater need to disseminate factual works than works of fiction or fantasy’, Harper & Row, 471 US, at 563, 85 L Ed 2d 588, 105 S Ct 2218; accord, Gorman, ‘Fact or Fancy: The Implications for Copyright’ 29 J Copyright Soc 560, 563 (1982). But ‘sweat of the brow’ courts took a contrary view; they handed out proprietary interests in facts – and declared that authors are absolutely precluded from saving time and effort by relying upon the facts contained in prior works. In truth, ‘[i]t is just such wasted effort that the proscription against the copyright of ideas and facts ... [is] designed to prevent’, Rosemont Enterprises, Inc v Random House, Inc, 366 F 2d 303, 310 (CA2 1966), cert denied, 385 US 1009, 17 L Ed 2d 546, 87 S Ct 714 (1967). ‘Protection for the fruits of such research ... may in certain circumstances be available under a theory of unfair competition. But to accord copyright protection on this basis alone distorts basic principles in that it creates a monopoly in public domain materials without the necessary justification of protecting and encouraging the creation of “writings” by “authors”.’ Nimmer § 3.04, p 3-23 (footnote omitted).

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‘Sweat of the brow’ decisions did not escape the attention of the Copyright Office. When Congress decided to overhaul the copyright statute and asked the Copyright Office to study existing problems, see Mills Music, Inc v Snyder, 469 US 153, 159, 83 L Ed 2d 556, 105 S Ct 556, (1985), the Copyright Office promptly recommended that Congress clear up the confusion in the lower

2 The court ultimately rendered judgment for Associated Press on non-copyright grounds that are not relevant here. See 248 US, at 235, 24–242, 63 L Eds 211, 39 S Ct 68, 2 ALR 293.
courts as to the basic standards of copyrightability. The Register of Copyrights explained in his first report to Congress that ‘originality’ was a ‘basic requisit[e] of copyright’ under the 1909 Act, but that ‘the absence of any reference to [originality] in the statute seems to have led to misconceptions as to what is copyrightable matter’, Report of the Register of Copyrights on the General Revision of the US Copyright Law, 87th Cong, 1st Sess, p 9 (H Judiciary Comm Print 1961). The Register suggested making the originality requirement explicit, ibid.

Congress took the Register’s advice. In enacting the Copyright Act 1976, Congress dropped the reference to ‘all the writings of an author’ and replaced it with the phrase ‘original works of authorship’, 17 USC § 102(a) [17 USCS § 102(a)]. In making explicit the originality requirement, Congress announced that it was merely clarifying existing law: ‘The two fundamental criteria of copyright protection [are] originality and fixation in tangible form ... The phrase ‘original works of authorship’, which is purposely left undefined, is intended to incorporate without change the standard of originality established by the courts under the present [1909] copyright statute’, HR Rep No 94–1476, p 51 (1976) (emphasis added) (hereinafter HR Rep); S Rep No 94–473, p 50 (1975) (emphasis added) (hereinafter S Rep). This sentiment was echoed by the Copyright Office: ‘Our intention here is to maintain the established standards of originality ...’, Supplementary Report of the Register of Copyrights on the General Revision of US Copyright Law, 89th Cong, 1st of Sess, pt 6, p 3 (H Judiciary Comm Print 1965) (emphasis added).

To ensure that the mistakes of the ‘sweat of the brow’ courts would not be repeated, Congress took additional measures. For example, § 3 of the 1909 Act had stated that copyright protected only the copyrightable component parts of a work, but had not identified originality as the basis for distinguishing those component parts that were copyrightable from those that were not. The 1976 Act deleted this section and replaced it with § 102(b), which identifies specifically those elements of a work for which copyright is not available: ‘In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work’, s 102(b) is universally understood to prohibit any copyright in facts; Harper & Row, above, at 547, 556, 85 L Ed 2d 588, 105 S Ct 2218, accord, Nimmer § 2.03[E] (equating facts with ‘discoveries’). As with § 102(a), Congress emphasised that § 102(b) did not change the law, but merely clarified it: ‘Section 102(b) in no way enlarges or contracts the scope of copyright protection under the present law. Its purpose is to restate that the basic dichotomy between expression and idea remains unchanged’, HR Rep, at 57; S Rep, at 54.

Congress took another step to minimise confusion by deleting the specific mention of ‘directories ... and other compilations’ in § 5 of the 1909 Act. As mentioned, this section had led some courts to conclude that directories were copyrightable per se and that every element of a directory was protected. In its place, Congress enacted two new provisions. First, to make clear that compilations were not copyrightable per se, Congress provided a definition of
the term ‘compilation.’ Second, to make clear that the copyright in a compilation did not extend to the facts themselves, Congress enacted § 103. The definition of ‘compilation’ is found in § 101 of the 1976 Act. It defines a ‘compilation’ in the copyright sense as ‘a work formed by the collection and assembling of pre-existing materials or of data that are selected, co-ordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship’ (emphasis added).

The purpose of the statutory definition is to emphasise that collections of facts are not copyrightable per se. It conveys this message through its tripartite structure, as emphasised above by the italics. The statute identifies three distinct elements and requires each to be met for a work to qualify as a copyrightable compilation: (1) the collection and assembly of pre-existing material, facts, or data; (2) the selection, co-ordination, or arrangement of those materials; and (3) the creation, by virtue of the particular selection, co-ordination, or arrangement, of an original work of authorship. ‘[T]his tripartite conjunctive structure is self-evident, and should be assumed to “accurately express the legislative purpose”’, Patry 51, quoting Mills Music, 469 US, at 164, 83 L Ed 2d 556, 105 S Ct 638.

At first glance, the first requirement does not seem to tell us much. It merely describes what one normally thinks of as a compilation, a collection of pre-existing material, facts, or data. What makes it significant is that it is not the sole requirement. It is not enough for copyright purposes that an author collects and assembles facts. To satisfy the statutory definition, the work must get over two additional hurdles. In this way, the plain language indicates that not every collection of facts receives copyright protection. Otherwise, there would be a period after ‘data.’

The third requirement is also illuminating. It emphasises that a compilation, like any other work, is copyrightable only if it satisfies the originality requirement (‘an original work of authorship’). Although § 102 states plainly that the originality requirement applies to all works, the point was emphasised with regard to compilations to ensure that courts would not repeat the mistake of the ‘sweat of the brow’ courts by concluding that fact-based works are treated differently and measured by some other standard. As Congress explained it, the goal was to ‘make plain that the criteria of copyrightable subject-matter stated in s 102 apply with full force to works containing pre-existing material’, HR Rep, at 57; S Rep, at 55.

The key to the statutory definition is the second requirement. It instructs courts that, in determining whether a fact-based work is an original work of authorship, they should focus on the manner in which the collected facts have been selected, co-ordinated, and arranged. This is a straightforward application of the originality requirement. Facts are never original, so the compilation author can claim originality, if at all, only in the way the facts are presented. To that end, the statute dictates that the principal focus should be on whether the selection, co-ordination, and arrangement are sufficiently original to merit protection.

Not every selection, co-ordination, or arrangement will pass muster. This is plain from the statute. It states that, to merit protection, the facts must be
selected, co-ordinated, or arranged ‘in such a way’ as to render the work as a whole original. This implies that some ways will trigger copyright, but that others will not, see Patry 57, and n 76. Otherwise, the phrase ‘in such a way’ is meaningless and Congress should have defined ‘compilation’ simply as ‘a work formed by the collection and assembly of pre-existing materials or data that are selected, co-ordinated, or arranged’. That Congress did not do so is dispositive. In accordance with ‘the established principle that a court should give effect, if possible, to every clause and word of a statute’, Moskal v US, 498 US 103, 109–10, 112 L Ed 2d 449, 111 S Ct 461 (1990) (internal quotation marks omitted), we conclude that the statute envisions that there will be some fact-based works in which the selection, co-ordination, and arrangement are not sufficiently original to trigger copyright protection.

As discussed earlier, however, the originality requirement is not particularly stringent. A compiler may settle upon a selection or arrangement that others have used; novelty is not required. Originality requires only that the author make the selection or arrangement independently (ie without copying that selection or arrangement from another work), and that it display some minimal level of creativity. Presumably, the vast majority of compilations will pass this test, but not all will. There remains a narrow category of works in which the creative spark is utterly lacking or so trivial as to be virtually non-existent. See generally Bleistein v Donaldson Lithographing Co, 188 US 239, 251, 47 L Ed 460, 23 S Ct 298 (1903) (referring to ‘the narrowest and most obvious limits’). Such works are incapable of sustaining a valid copyright, Nimmer § 2.01[B].

Even if a work qualifies as a copyrightable compilation, it receives only limited protection. This is the point of § 103 of the Act. Section 103 explains that ‘[t]he subject-matter of copyright ... includes compilations’, § 103(a), but that copyright protects only the author’s original contributions – not the facts or information conveyed:

The copyright in a compilation ... extends only to the material contributed by the author of such work, as distinguished from the pre-existing material employed in the work, and does not imply any exclusive right in the pre-existing material, § 103(b).

As § 103 makes clear, copyright is not a tool by which a compilation author may keep others from using the facts or data he or she has collected. ‘The most important point here is one that is commonly misunderstood today: copyright ... has no effect one way or the other on the copyright or public domain status of the pre-existing material’, HR Rep, at 57; S Rep, at 55. The 1909 Act did not require, as ‘sweat of the brow’ courts mistakenly assumed, that each subsequent compiler must start from scratch and is precluded from relying on research undertaken by another. See, for example, Jeweler’s Circular Publishing Co, 281 F, at 88–89. Rather, the facts contained in existing works may be freely copied because copyright protects only the elements that owe their origin to the compiler – the selection, co-ordination, and arrangement of facts.

In summary, the 1976 revisions to the Copyright Act leave no doubt that originality, not ‘sweat of the brow’, is the touchstone of copyright protection in
directories and other fact-based works. Nor is there any doubt that the same was true under the 1909 Act. The 1976 revisions were a direct response to the Copyright Office’s concern that many lower courts had misconstrued this basic principle, and Congress emphasised repeatedly that the purpose of the revisions was to clarify, not change, existing law. The revisions explain with painstaking clarity that copyright requires originality, § 102(a); that facts are never original, § 102(b); that the copyright in a compilation does not extend to the facts it contains, § 103(b); and that a compilation is copyrightable only to the extent that it features an original selection, co-ordination, or arrangement, § 101. The 1976 revisions have proven largely successful in steering courts in the right direction. A good example is Miller v Universal City Studios, Inc, 650 F 2d, at 1369–70: ‘A copyright in a directory ... is properly viewed as resting on the originality of the selection and arrangement of the factual material, rather than on the industriousness of the efforts to develop the information. Copyright protection does not extend to the facts themselves, and the mere use of information contained in a directory without a substantial copying of the format does not constitute infringement’ (citation omitted). Additionally, the Second Circuit, which almost 70 years ago issued the classic formulation of the ‘sweat of the brow’ doctrine in Jeweler’s Circular Publishing Co, has now fully repudiated the reasoning of that decision. See, for example, Financial Information, Inc v Moody’s Investors Service, Inc, 808 F 2d 204, 207 (CA2 1986), cert denied, 484 US 820, 98 L Ed 2d 42, 108 S Ct 79 (1987); Financial Information, Inc v Moody’s Investors Service, Inc, 751 F 2d 501, 510 (CA2 1984) (Newman, J, concurring); Hoehling v Universal City Studios, Inc, 618 F 2d 972, 979 (CA 2 1980). Even those scholars who believe that ‘industrious collection’ should be rewarded seem to recognise that this is beyond the scope of existing copyright law. See Denicola 516 (‘[T]he very vocabulary of copyright is ill-suited to analysing property rights in works of non-fiction’, id, at 520–21, 525; Ginsburg 1867, 1870. There is no doubt that Feist took from the white pages of Rural’s directory a substantial amount of factual information. At a minimum, Feist copied the names, towns, and telephone numbers of 1,309 of Rural’s subscribers. Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. See Harper & Row, 471 US, at 548, 85 L Ed 2d 588, 105 S Ct 2218. The first element is not at issue here; Feist appears to concede that Rural’s directory, considered as a whole, is subject to a valid copyright because it contains some foreword text, as well as original material in its yellow pages advertisements. See Brief for Petitioner 18; Pet for Cert 9.

The question is whether Rural has proved the second element. In other words, did Feist, by taking 1,309 names, towns, and telephone numbers from Rural’s white pages, copy anything that was original’ to Rural? Certainly, the raw data does not satisfy the originality requirement. Rural may have been the first to discover and report the names, towns, and telephone numbers of its subscribers, but this data does not ‘ow[e] its origin’ to Rural, Burrow-Giles, 111 US, at 58, 28 L Ed 3491 4 S Ct 279. Rather, these bits of information are uncopyrightable facts; they existed before Rural reported them and would
have continued to exist if Rural had never published a telephone directory. The
originality requirement ‘rule[s] out protecting ... names, addresses, and
telephone numbers of which the plaintiff by no stretch of the imagination
could be called the author’, Patterson and Joyce 776.

Rural essentially concedes the point by referring to the names, towns, and
telephone numbers as ‘pre-existing material’, Brief for Respondent 17. Section
103(b) states explicitly that the copyright in a compilation does not extend to
‘the pre-existing material employed in the work’.

The question that remains is whether Rural selected, co-ordinated, or arranged
these uncopyrightable facts in an original way. As mentioned, originality is not
a stringent standard; it does not require that facts be presented in an
innovative or surprising way. It is equally true, however, that the selection and
arrangement of facts cannot be so mechanical or routine as to require no
creativity whatsoever. The standard of originality is low, but it does exist. See
Patterson and Joyce 760, n 144 (‘While this requirement is sometimes
characterised as modest, or a low threshold, it is not without effect’) (internal
quotation marks omitted; citations omitted). As this court has explained, the
Constitution mandates some minimal degree of creativity, see The Trademark
Cases, 100 US, at 94, 25 L Ed 550; and an author who claims infringement must
prove ‘the existence of ... intellectual production, of thought, and conception’,
Burrow-Giles, above, at 59–60, 28 L Ed 349, 4 S Ct 279.

The selection, co-ordination, and arrangement of Rural’s white pages do not
satisfy the minimum constitutional standards for copyright protection. As
mentioned at the outset, Rural’s white pages are entirely typical. Persons
desiring telephone service in Rural’s service area fill out an application and
Rural issues them a telephone number. In preparing its white pages, Rural
simply takes the data provided by its subscribers and lists it alphabetically by
surname. The end product is a garden-variety white pages directory, devoid of
even the slightest trace of creativity.

Rural’s selection of listings could not be more obvious: it publishes the most
basic information – name, town, and telephone number – about each person
who applies to it for telephone service. This is ‘selection’ of a sort, but it lacks
the modicum of creativity necessary to transform mere selection into
copyrightable expression. Rural expended sufficient effort to make the white
pages directory useful, but insufficient creativity to make it original.

We note in passing that the selection featured in Rural’s white pages may also
fail the originality requirement for another reason. Feist points out that Rural
did not truly ‘select’ to publish the names and telephone numbers of its
subscribers; rather, it was required to do so by the Kansas Corporation
Commission as part of its monopoly franchise, see 737 F Supp, at 612.
Accordingly, one could plausibly conclude that this selection was dictated by
State law, not by Rural.

Nor can Rural claim originality in its co-ordination and arrangement of facts.
The white pages do nothing more than list Rural’s subscribers in alphabetical
order. This arrangement may, technically speaking, owe its origin to Rural; no
one disputes that Rural undertook the task of alphabetising the names itself.
But there is nothing remotely creative about arranging names alphabetically in
Copyright

a white pages directory. It is an age-old practice, firmly rooted in tradition and so commonplace that it has come to be expected as a matter of course; see Brief for Information Industry Association et al and amici curiae 10 (alphabetical arrangement ‘is universally observed in directories published by local exchange telephone companies’). It is not only unoriginal, it is practically inevitable. This time-honoured tradition does not possess the minimal creative spark required by the Copyright Act and the Constitution.

We conclude that the names, towns and telephone numbers copied by Feist were not original to Rural and therefore were not protected by the copyright in Rural’s combined white and yellow pages directory. As a constitutional matter, copyright protects only those constituent elements of a work that possess more than a de minimis quantum of creativity. Rural’s white pages, limited to basic subscriber information and arranged alphabetically, fall short of the mark. As a statutory matter, 17 USC § 101 [17 USCS § 101] does not afford protection from copying to a collection of facts that are selected, co-ordinated, and arranged in a way that utterly lacks originality. Given that some works must fail, we cannot imagine a more likely candidate. Indeed, were we to hold that Rural’s white pages pass muster, it is hard to believe that any collection of facts could fail.

Because Rural’s white pages lack the requisite originality, Feist’s use of the listings cannot constitute infringement. This decision should not be construed as demeaning Rural’s efforts in compiling its directory, but rather as making clear that copyright rewards originality, not effort. As this court noted more than a century ago, ‘great praise may be due to the plaintiffs for their industry and enterprise in publishing this paper, yet the law does not contemplate their being rewarded in this way’, Baker v Selden, 101 US, at 105, 25 L Ed 841.

The judgment of the Court of Appeals is reversed.

Justice Blackmun concurs in the judgment.

The protection of factual compilations is an issue of increasing importance. To ensure the undistorted development of the single information market, the European Commission decided that harmonisation of the legal protection of databases was required, and proposed a directive which was finally adopted in March 1996. This does two important things: first, it sets a uniform originality test for databases (not just electronic ones – manual collections of data will also be covered) so that no one Member State will be more generous than any other in the protection afforded to these works. This addresses the problem that the UK and Ireland had with such a low originality requirement for collections that database operators were setting up in those countries to the exclusion of others, and hence distorting the single market.

Article 3

1. In accordance with this directive, databases which, by reason of the selection or arrangement of their contents, constitute the author’s own intellectual creation shall be protected by copyright. No other criteria shall be applied to determine their eligibility for that protection.
2. The copyright protection of databases provided for by this directive shall not extend to their contents and shall be without prejudice to any rights subsisting in those contents themselves.

The directive goes on to set out the acts restricted by copyright in a database, and the acts that are permitted. It also deals with the rules governing ownership of copyright in a database.

Second, the directive creates a new *sui generis* right – a new type of intellectual property. Derived from principles of unfair competition law, and from specific legislation on protection of collections of data that the Scandinavian countries have had for some time, the new right makes up for the fact that the directive curtails copyright protection for databases.

**Article 7**

**Object of protection**

1. Member States shall provide for a right for the maker of a database which shows that there has been qualitatively and/or quantitatively a substantial investment in either the obtaining, verification or presentation of the contents, to prevent acts of extraction and/or reutilisation of the whole or of a substantial part, evaluated qualitatively and/or quantitatively, of the contents of that database.

2. For the purposes of this chapter:
   
   (a) ‘extraction’ shall mean the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form;
   
   (b) ‘reutilisation’ shall mean any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission. The first sale of a copy of a database within the Community by the rightholder or with his consent shall exhaust the right to control resale within the Community of that copy.

Public lending is not an act of extraction or re-utilisation.

3. The right referred to in paragraph 1 may be transferred, assigned or granted under contractual licence.

4. The right provided for in paragraph 1 shall apply irrespective of the eligibility of the database for protection by copyright or by other rights. Moreover, it shall apply irrespective of the eligibility of the contents of that database for protection by copyright or by other rights. Protection of databases under the right referred to in paragraph 1 shall be without prejudice to rights existing in respect of their contents.

5. The repeated and systematic extraction and/or reutilisation of insubstantial parts of the contents of the database which would have the result of performing acts which conflict with a normal exploitation of that database or which unreasonably prejudice the legitimate rights of the owner shall not be permitted.
Article 10

Term of protection

1. The right provided for in Article 7 shall run from the date of completion of the making of the database. It shall expire 15 years from 1 January of the year following the date of completion.

2. In the case of a database which is made available to the public in whatever manner before the expiry of the period provided for in paragraph 1, the term of protection by that right shall expire 15 years from 1 January of the year following the date when the database was first made available to the public.

3. Any substantial change, evaluated qualitatively or quantitatively, to the contents of a database, including any substantial change resulting from the accumulation of successive additions, deletions or alterations, which would result in the database being considered to be a substantial new investment, evaluated qualitatively or quantitatively, shall qualify the database resulting from that investment for its own term of protection.

There is no minimum size for a copyright work specified in the legislation. However, the courts have refused protection to literary works too small to be properly considered such: Exxon Corp v Exxon Insurance Consultants [1982] RPC 69 (CA).

But ‘original literary work’ as used in the statute is a composite expression, and for my part I do not think that the right way to apply a composite expression is, or at any rate is necessarily, to ascertain whether a particular subject-matter falls within the meaning of each of the constituent parts, and then to say that the whole expression is merely the sum total of the constituent parts. In my judgment it is not necessary, in construing a statutory expression, to take leave of one’s common sense, and the result to which Mr Price seeks to drive us is one which, to my mind, involves doing just that.

We have been referred to a number of cases in which copyright has been successfully claimed in, for instance, examination papers, football coupons and tables of ciphers; but all these – and I do not exclude the case of the telegraphic code in Anderson v Lieber Code ([1917] 2 KB 469) – seem to me to fall fairly within Davey LJ’s common sense formulation.

But that for which protection is sought in the instant case does not appear to me to have any of the qualities which common sense would demand. It conveys no information; it provides no instruction; it gives no pleasure that I can conceive; it is simply an artificial combination of four letters of the alphabet which serves a purpose only when it is used in juxtaposition with other English words, to identify one of other of the companies in the plaintiff group.

The logic of this approach was applied to a table in Express Newspapers v Liverpool Daily Post [1985] FSR 306, a judgment of Whitford J who was the chairman of the departmental committee on copyright and designs law that considered reform of this area of intellectual property law from 1975–77 and whose report (Cmnd 6732) remains essential reading for any student of copyright law. (I have not included extracts from it in this book, because
government publications are reasonably easy to get hold of and if part of it was included the whole report would have to be.)

If these grids and these sequences of [five] letters can be said to be copyright works, I do not understand it to be argued on the defendants’ side that what they have done would not be an infringement. The defendants, however, say that there is here disclosed no copyright work. The Copyright Act 1956 provides for the giving of protection under the Act in respect of a variety of works. The only relevant heading so far as the present proceedings are concerned is ‘literary works’. By the definition section, ‘literary work’ includes tables; and it was not suggested by Mr Jeffs, on the defendant’s side, that a table could not be the subject of protection. It is of course accepted, because it is easily established by reference to one of a number of well-known authorities, that mathematical tables can acquire copyright protection as ‘literary work’. They do so because their compilation – and compilations in themselves are by definition ‘literary work’ – involves the exercise of skill and labour, or possibly maybe only labour.

That a great deal of skill and, indeed, a good deal of labour went into the production of the grid and the two separate sequences of five letters is, to my mind, quite plainly established from the evidence of Mr Ertel, who is with an American corporation, Arnphora Enterprises Inc, who were saddled with the task of preparing these grid patterns and sequences to be used in the plaintiffs’ competition. Mr Ertel’s affidavit sets out in detail what he has had to do and the steps that had to be taken. He describes how participants in the competition look at the grid and see if they can match certain patterns of letters and in the same way see if they can match the sequence of five letters. He describes the difficulties that are involved in preparing these grids and five-letter sequences if you are going to arrive at a situation in which you do not get so many winning lines that the whole thing is going to become hopelessly uneconomic from the point of view of the person running the competition. He describes the constraints with which he was necessarily faced in ensuring that a sufficient number of possible winning combinations emerged to make the game attractive, without producing such a number of combinations to make the whole thing hopelessly uneconomic. He goes to some length to point out the difficulties of achieving these results. He describes also how the effort had to be made to introduce a system of some sort of check codes to avoid frauds.

Of course, the facts in that case were very different from the facts of the present case. The earlier decision upon which Graham J and the Court of Appeal relied, which concerned a sleeve chart – a case very well known in this field of the law – was a case in relation to which Davey LJ, speaking of the sleeve chart, said:

and he came to the conclusion that the sleeve chart in question was no more entitled to copyright as a literary work than the scale attached to a barometer in the case of Davis v Comitti. What the finding would be today if a claim to copyright in a sleeve chart were brought I do not need to consider.
Of this passage, Stephenson LJ (in Exxon Corporation v Exxon Insurance Consultants International Limited) said:

The words of the Lord Justice do, however, appeal to me as stating the ordinary meaning of the words ‘literary work’. I would have thought, unaided or unhampered by authority, that unless there is something in the context of the Act which forbids it, a literary work would be something which was intended to afford either information and instruction, or pleasure in the form of literary enjoyment, whatever those last six words may add to the word ‘pleasure’;

and counsel were unable to persuade their Lordships that this word did in fact provide information or instruction or give pleasure.

Of course, Mr Jeffs can well say that some tables – and he gave the instance of a table of logarithms – even if to some people they may give very little pleasure, do at least provide information. So, in my judgment, do the grids and the five-letter sequences. They are looked at by those who have had one of the Millionaire Club cards for the very purpose of acquiring information; they want to know whether they have won or lost. They might find out that they have won, or more probably that they have lost; but information is the whole purpose of the publication of these grids and five-letter sequences. Indeed, if they did not give information, I do not suppose the defendants would be troubling to include them in their newspapers.

**Dramatic works**

Section 3(1) merely tells us that:

‘dramatic work’ includes a work of dance or mime ...

The scope of protection for such works can be problematical. Consider the following two cases, the first an English decision and the second American:


We are here concerned with a dramatic work. Both collaborators, Mr Wiseman and Mr Donaldson, must answer to the description of authors of the dramatic work. To be a joint author, a collaborator must make some contribution to the literary or dramatic work in which alone copyright can subsist.

In *Tate v Thomas* [1921] I Ch 503, Eve J said this of a Mr Peterman, who was contending that he was a joint author (at p 509):

Mr Peterman contends that he was really the author or at least a joint author with the plaintiffs. It is not disputed that he suggested the name of the piece, and there is no doubt that in many parts of the work are introduced incidents suggested in his rough sketch or culled from works in which he has no copyright interest. One of the witnesses called for the defendants went so far as to say that the whole play was ‘pinched’ from other people’s productions. I had the opportunity of seeing Mr Peterman in the witness box and I can well understand that he is speaking the truth when he states that he was frequently making suggestions to the authors and indicating to them how they were to do the work they had
undertaken. He is a gentleman of a fertile imagination and possessed of a fluency and powers well qualifying him for communicating his views to the authors.

The plaintiffs do not deny that their work embodies some ideas and a few catch lines or words for which Mr Peterman may claim credit, but they dispute together his claim to a share in the authorship of the work and contend (and in my opinion rightly contend) that the sum total of his contribution does not amount to anything entitled to protection under the Act. His assistance, such as it was, was confined to accessorial matters such as scenic effects, or stage ‘business’, not the subject-matter of copyright.

I should perhaps say at this stage that Mr Donaldson conceded that there may have been a line here or there and possibly even an idea which emanated from Mr Wiseman, but he too, as in this case, contends that he and he alone was the author of the work.

At p 511 of the report, Eve J said this:

The question whether Mr Peterman’s claim to be a joint author of this work, so far as it is subject-matter for protection under the Act, is one of fact; and, having heard all the evidence, I have come to the conclusion that his contributions to the matter capable of being printed and published were so insignificant and negligible as to make it quite impossible for me to hold him to have been in any sense a joint author within the Act.

In *Evans v E Hutton & Co Ltd* [1923–28] MacG CC 51, Tomlin J put the question in relation to the alleged joint author in this way:

Did he take any part in producing the express matter which is the original literary work, the subject-matter of copyright?

In *Bagge v Miller* [1917–23] MacG CC 179 Russell J, speaking of the respective contributions of the plaintiff and the defendant, said this (at p 182):

As regards the plaintiff Milburn he can only succeed if he was a joint author of the sketch and so a co-owner of the copyright. He must establish that he is a joint author of the dramatic work *The Truth for an Hour*. If he does that then he would be a co-owner of the copyright which would subsist therein if it be an original dramatic work.

Mr Milburn outlined the plot verbally to Mr Bagge and suggested to him that he should write a play. Mr Bagge did so. The written sketch was entirely his, Bagge’s: the dialogue is entirely his. After the sketch was written by Mr Bagge, it was discussed and Mr Milburn said that he made certain suggestions which Mr Bagge adopted. What they were I was not told. They were not apparently of sufficient importance to be told in detail. Mr Milburn had no place in composing the dramatic work beyond suggesting the idea of the sketch. He had no share in the design or execution of the work, the whole of which, so far as any character of originality belongs to it, flowed from the mind of Mr Bagge. Certainly in ordinary parlance no one would describe Mr Milburn as the author or joint author of the dramatic work. Neither is he in law an author or joint author of the dramatic work. The mere suggestion of an idea which is then embodied by another in a dramatic work written by him does not, in my
opinion, constitute the originator of the idea an author or a joint author of the dramatic work. For this proposition the case of Shepherd v Conquest 17 CB 427 is, in my opinion, a sufficient authority.

On the printed copies of the sketch Mr Milburn’s name appeared (by special arrangement with Mr Bagge) as one of the authors, and Mr MacGillivray relied upon the presumption raised by s 6(3)(a) of the Act: but in my opinion the statutory presumption is displaced by the facts proved in this case.

I found Mr Donaldson a thoroughly reliable witness, very careful, very fair, and in no way prepared to overstate his case, and in complete contrast to Mr Wiseman, who was neither careful nor fair, but quite prepared to make very extravagant and unjustified claims. I am sure that Mr Wiseman is under a sense of grievance. He has no doubt persuaded himself that his pretensions are justified, and that in fact he has made a contribution to the production of this work far in excess of that which he has in fact contributed. He has, however, wholly failed to persuade me.

A good many years ago, it would seem that Mr Wiseman was likely to achieve some success in the theatre as a director; and, indeed, he referred me to certain productions in which he was concerned. He has not had any great success as an author; his promise in the field of directorial activity has not apparently been realised – at least in recent years – so far.

Mr Donaldson, of course, has basically always been a writer. As I have said, he had started to achieve some success as an author at the time when the play first came to be written. He had never really had any great experience in the theatre, and did not pretend to such experience as Mr Wiseman has in fact had. Mr Wiseman thought that Both the Ladies and the Gentlemen could be a success as a play. He undoubtedly saw himself as a director of a stage version, if a stage version could be produced.

When what might be described as a strict adaptation of Both the Ladies and the Gentlemen proved impossible, Mr Donaldson formed the view that the characters from this work could be pressed into service in a play. He urged this upon Mr Donaldson; he eventually, as I have said, managed to persuade Mr Donaldson into writing the dramatic work in which he, Mr Wiseman, now claims joint authorship.

A dramatic work involves, of course, not only dialogue but a series of incidents – dramatic situations – which in a particular order or occurrence can form the backbone of the piece. Mr Wiseman, in his evidence-in-chief and in cross-examination, however, made claims extending beyond this. He claimed that he had made a significant contribution to the dialogue. ‘Mr Donaldson’, Mr Wiseman told me, ‘took the lead in the dialogue, but we went over every line together’. In cross-examination, again, he said: ‘We went over every single line inch by inch in collaboration’.

I cannot accept a word of this. It was the evidence of Mr Donaldson, which I accept without reservation, that he finds himself unable to write anything other than perhaps some very simple part of a work in somebody else’s presence. It was Mr Donaldson’s evidence that he effectively did all the writing.
before Mr Wiseman, who at this stage was living at a different address, arrived at the flat occupied by Mr Donaldson around 11 o’clock in the morning or at some later stage, possibly in the evening, and at weekends.

Mr Donaldson entirely accepted that he found Mr Wiseman a most valuable critic of the lines that he had written. He accepted, indeed, that he tore up two weeks of work written while Mr Wiseman was away, as a result of criticisms by Mr Wiseman, and he re-wrote the scenes in question. It was, however, his evidence that Mr Wiseman virtually took no part in writing any single line of the dialogue; and of this I am satisfied.

b. *Nichols v Universal Picture Corporation* 45 F (2d) 119 (CA 2)

**Judge Learned Hand:** ... It is of course essential to any protection of literary property, whether at common law or under the statute, that the right cannot be limited literally to the text, else a plagiarist would escape by immaterial variations. That has never been the law, but, as soon as literal appropriation ceases to be the test, the whole matter is necessarily at large, so that, as was recently well said by a distinguished judge, the decisions cannot help much in a new case ... But when the plagiarist does not take out a block in situ, but an abstract of the whole, decision is more troublesome. Upon any work, and especially upon a play, a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the play is about, and at times might consist only of its title, but there is a point in this series of abstractions where they are no longer protected, since otherwise the playwright could prevent the use of his ‘ideas’, to which, apart from their expression, his property is never extended ... Nobody has ever been able to fix that boundary, and nobody ever can. In some cases the question has been treated as though it were analogous to lifting a portion out of the copyrighted work ... but the analogy is not a good one, because, though the skeleton is a part of the body, it pervades and supports the whole. In such cases we are rather concerned with the line between expression and what is expressed. As respects plays, the controversy chiefly centres upon the characters and sequence of incident, there being the substance.

... If *Twelfth Night* were copyrighted, it is quite possible that a second comer might so closely imitate Sir Toby Belch or Malvolio as to infringe, but it would not be enough that for one of his characters he cast a riotous knight who kept wassail to the discomfort of the household, or a vain and foppish steward who became amorous of his mistress. These would be no more than Shakespeare’s ‘ideas’ in the play, as little capable of monopoly as Einstein’s doctrine of relativity, or Darwin’s theory of the origins of species. It follows that the less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly.

... The only matter common to the two is a quarrel between a Jewish and an Irish father, the marriage of their children, the birth of grandchildren and a reconciliation.

...
If the defendant took so much from the plaintiff, it may well have been because her amazing success seemed to prove that this was a subject of enduring popularity ... Though the plaintiff discovered the vein, she could not keep it to herself; so defined, the theme was too generalised an abstraction from what she wrote. It was only a part of her ‘ideas’.

Musical works

Again, reference to the Act produces little guidance:

‘Musical work’ means a work consisting of music, exclusive of any words or action intended to be sung, spoken or performed with the music.

The meaning of the expression in earlier legislation is dealt with in Wood v Boosey [1868] LR 3 QB 223 (Exchequer Chamber).

The truth is, an opera is originally written for the voice and for different instruments. In this pianoforte score, as it is called, the parts written for the voice are identically preserved, and there can be no doubt that if a man had a copyright in the original opera, such a score would be an infringement of his copyright. But when we come to the part, not for the voices, but for the pianoforte, which is not an identical repetition of what the author wrote, it is the business of the adapter, the person who arranges it for the pianoforte, to preserve the harmony and, as far as he can, the notes and all the effects of the original composer, but he cannot produce upon the pianoforte everything that the author wrote as he wrote it.

Anybody who plays any musical instrument knows it is a very common expression to say, such a piece is very well arranged, such a piece is very ill arranged; this is a very difficult arrangement, that is an easy arrangement. Those who play the German arrangements know they are more difficult than the English, because the German, with great conscientiousness, endeavours to put into the arrangement every note that the composer has put into the score as far as he can; whereas the English composer endeavours in all arrangements to make them clear for the player, and an English arrangement is by no means so laborious as the German. It is manifest, therefore, that there is some judgment and taste required on the part of the arranger for the pianoforte; and it is also certain that if it should so happen that a man should compose an opera without being able to play on the pianoforte – which is, I believe, a perfectly possible thing – he could not arrange it himself for the pianoforte ...

It is clear, therefore, that there is something in the nature of authorship in Brissler, and his name not having been stated as the author in the register, it seems to me manifest the plaintiff has not a copyright of the pianoforte score, as it is called, and consequently cannot complain of this infringement.
Original artistic works

Section 3

(1) In this part ‘artistic work’ means:
(a) a graphic work, photograph, sculpture or collage, irrespective of artistic quality;
(b) a work of architecture being a building or a model for a building; or
(c) a work of artistic craftsmanship.

(2) In this part:
‘building’ includes any fixed structure, and a part of a building or fixed structure;
‘graphic work’ includes:
(a) any painting, drawing, diagram, map, chart or plan; and
(b) any engraving, etching, lithograph, woodcut or similar work;
‘photograph’ means a recording of light or other radiation on any medium on which an image is produced or from which an image may by any means be produced, and which is not part of a film;
‘sculpture’ includes a cast or model made for purposes of sculpture.

Kenrick v Lawrence (1890) 25 QBD 93 concerned a claim to copyright in a simple drawing of a hand, showing illiterate people how to cast their votes (though not for whom). As Wills J said, it was highly successful: but did the artist have a monopoly on similar drawings?

It was in evidence that more than a million copies of the card of the plaintiffs have been sold since the year 1885, and that they have been used at nearly every election in the kingdom. It was urged, probably with truth, that such a card was practically the only mode of instructing the illiterate voter how to record his vote, and it is obvious that if the privilege of instructing the illiterate voter how to vote, by the only vehicle by which the act of voting can be represented to the eye, and the instructions how to vote and whom to vote for can be brought home to him, be vested in the plaintiffs for seven years beyond the termination of a life which may very well subsist for half a century longer – for Mr Jefferson is now only 36 years of age – and be their monopoly, it is difficult to put an adequate value upon their property in such a right. If that period should shortly arrive, which to many politicians appears to be a kind of constitutional millennium, when all the remaining ignorance, male and female, of the three kingdoms shall be swept into the electoral fold, the amount of political power which may become vested in the plaintiffs or their assignees will be greater than it is possible to estimate, and the destinies of the country may be placed in the hands of the fortunate owner of the talisman. The mere choice of subject can rarely, if ever, confer upon the author of the drawing an exclusive right to represent the subject, and certainly where the subject chosen is merely the representation to the eye of a simple operation which must be performed by every person who records a vote, there cannot possibly be an exclusive right to represent in a picture that operation. It may well be that something special in the way of artistic treatment even of this simple
operation, if it existed, might be the subject of copyright; but nothing of the kind has been suggested or exists in the present case, and if it does exist without being discovered it has not been imitated, for there is nothing which in any flight of imagination can be called artistic about either the plaintiffs’ or the defendants’ representation of a hand making the mark of a cross. It may be also that even the coarsest, or the most commonplace, or the most mechanical representation of the commonest object is so protected on registration that an exact reproduction of it, such as photography for instance would produce, would be an infringement of copyright. But in such a case it must surely be nothing short of an exact literal reproduction of the drawing registered that can constitute the infringement, for there seems to me to be in such a case nothing else that is not the common property of all the world. It is possible that in this case the proprietors of the drawing registered may have a right to be protected from a reproduction of their picture of a hand drawing a cross in which every line, dot, measurement, and blank space shall be rendered exactly as in the original, or in which the variations from such minute agreement shall be microscopic. But I cannot see how they can possibly make a higher claim, or say that because they have registered a drawing of a hand pencilling a cross within a square that no other person in the UK is at liberty to draw a hand pencilling a cross within a square for perhaps the next half century.

Under the 1956 Act, copyright gave extensive protection to industrial designs. Since they were embodied in drawings, protected as artistic works irrespective of artistic quality, protection lasted for the full copyright term. Moreover, the law provided that copyright would be infringed if the article depicted in the drawing was made from the design: and the Act went on to say that copying (say) an exhaust pipe, even though the copier had never set eyes on the drawing but had worked from the object itself would enfringe. The story is told in greater detail in the next chapter.

_{Interlego v Tyco Industries [1988] RPC 343 (PC)} concerned designs for toy building bricks. The plaintiffs’ case was essentially that they were entitled to copyright protection for the design drawings: this required them to convince the Privy Council (the case originated in Hong Kong) that their designs had been wrongly registered under the Registered Designs Act 1949, which is not an attractive argument. When that failed, to take advantage of the law of copyright they had to demonstrate that their revisions to the drawings of the bricks constituted new original artistic works: but all that was different were some radii and the dimensions of some elements.

That statement is, of course, not complete in itself because there may clearly be original work which makes use of material obtained by the author from pre-existing sources. Perhaps the most useful exegesis is to be found in three passages from the opinion of the Board delivered by Lord Atkinson in the Privy Council case of _Macmillan & Co Ltd v Cooper_ (1923) 40 TLR 186, a case concerned with university textbooks consisting of abridgments of or excerpts from existing works with appropriate notes for students. Lord Atkinson observed (at 188):
... it is the product of the labour, skill, and capital of one man which must not be appropriated by another, not the elements, the raw material, if one may use the expression, upon which the labour and skill and capital of the first have been expended. To secure copyright for this product it is necessary that labour, skill, and capital should be expended sufficiently to impart to the product some quality or character which the raw material did not possess, and which differentiates the product from the raw material.

A little later, he quoted with approval the following passage from the judgment of Story J in *Emerson v Davies* (1845) 3 Story 768 at 778–79:

The question is not, whether the materials which are used are entirely new, and have never been used before; or even that they have never been used before for the same purpose. The true question is, whether the same plan, arrangement, and combination of materials have been used before for the same purpose or for any other purpose. If they have not, then the plaintiff is entitled to a copyright, although he may have gathered hints for his plan and arrangement, or parts of his plan and arrangement, from existing and known sources. He may have borrowed much of his materials from others, but if they are combined in a different manner from what was in use before ... he is entitled to a copyright ... it is true, that he does not thereby acquire the right to appropriate to himself the materials which were common to all persons before, so as to exclude those persons from a future use of such materials; but then they have no right to use such materials with his improvements superadded, whether they consist in plan, arrangement or illustrations, or combinations; for these are strictly his own.

Lord Atkinson continued:

This decision is, of course, not binding on this Tribunal; but it is, in the opinion of the Board, sound, able, convincing and helpful. It brings out clearly the distinction between the materials upon which one claiming copyright has worked and the product of the application of his skill, judgment, labour and learning to those materials; which product, though it may be neither novel or ingenious, is the claimant’s original work in that it is originated by him, emanates from him, and is not copied.

Finally, he observed (at 190):

What is the precise amount of the knowledge, labour, judgment or literary skill or taste which the author of any book or other compilation must bestow upon its composition in order to acquire copyright in it within the meaning of the Copyright Act of 1911 cannot be defined in precise terms. In every case it must depend largely on the special facts of that case, and must in each case be very much a question of degree.

In that context he cited with approval a passage from the judgment of Lord Kinloch in *Black v Murray* (1870) 9 M 341 at 355:

I think it clear that it will not create copyright in a new edition of a work, of which the copyright has expired, merely to make a few emendations of the text, or to add a few unimportant notes. To create a copyright by alterations of the text, these must be extensive and substantial, practically making a new book. With regard to notes, in like manner, they must
exhibit an addition to the work which is not superficial or colourable, but
imparts to the book a true and real value, over and above that belonging to
the text.

That case was, of course, concerned with literary copyright, but there is no
distinction in principle in the case of artistic copyright, although obviously the
opportunities for the creation of an original work by way of compilation of
existing materials are here more limited. In *British Northrop Ltd v Texteam
Blackburn Ltd* [1974] RPC 57 at 68 the principle was conveniently summarised
by Megarry J as follows:

Copyright is concerned not with any originality of ideas but with their
form of expression, and it is in that expression that originality is requisite.
That expression need not be original or novel in form, but it must originate
with the author and not be copied from another work ... A drawing which
is simply traced from another drawing is not an original artistic work: a
drawing which is made without any copying from anything originates
with the artist.

Originality in the context of literary copyright has been said in several well-
known cases to depend on the degree of skill, labour and judgment involved in
preparing a compilation. *Macmillan & Co Ltd v Cooper* (1923) 40 TLR 186 was
such a case. So was *G A Cramp & Son Ltd v F Smythson Ltd* [1944] 2 All ER 92,
[1944] AC 329. Similarly, in the speeches of Lord Reid and Lord Hodson in
*Ladbroke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465 at 469, 475,
477, [1964] 1 WLR 273 at 277, 285, 287, it is stressed that the amount of skill,
judgment or labour is likely to be decisive in the case of compilations. To apply
that, however, as a universal test of originality in all copyright cases is not only
unwarranted by the context in which the observations were made but palpably
erroneous. Take the simplest case of artistic copyright, a painting or a
photograph. It takes great skill, judgment and labour to produce a good copy
by painting or to produce an enlarged photograph from a positive print, but no
one would reasonably contend that the copy, painting or enlargement was an
‘original’ artistic work in which the copier is entitled to claim copyright. Skill,
labour or judgment merely in the process of copying cannot confer originality.
In this connection some reliance was placed on a passage from the judgment of
Whitford J in *LB (Plastics) Ltd v Swish Products Ltd* [1979] RPC 551 at 568–69
where he expressed the opinion that a drawing of a three-dimensional
prototype, not itself produced from the drawing and not being a work of
artistic craftsmanship, would qualify as an original work. That may well be
right, for there is no more reason for denying originality to the depiction of a
three-dimensional prototype than there is for denying originality to the
depiction in two-dimensional form of any other physical abject. It by no means
follows, however, that that which is an extract and literal reproduction in two-
dimensional form of an existing two-dimensional work becomes an original
work simply because the process of copying it involves the application of skill
and labour. There must in addition be some element of material alteration or
embellishment which suffices to make the totality of the work an original
work. Of course, even a relatively small alteration or addition quantitatively
may, if material, suffice to convert that which is substantially copied from an
earlier work into an original work. Whether it does so or not is a question of
degree having regard to the quality rather than the quantity of the addition.
But copying, *per se*, however much skill or labour may be devoted to the process, cannot make an original work. A well-executed tracing is the result of much labour and skill but remains what it is, a tracing. Moreover, it must be borne in mind that the Copyright Act 1956 confers protection on an original work for a generous period. The prolongation of the period of statutory protection by periodic reproduction of the original work with minor alterations is an operation which requires to be scrutinised with some caution to ensure that that for which protection is claimed really is an original artistic work.

The other important consideration which has also to be borne in mind in any case of three-dimensional copying by reverse engineering is that the plaintiff’s claim to protection in the case of a non-patented industrial article not registered under the Registered Designs Act 1949 rests solely on artistic copyright, that is to say on the visual image in the form of a drawing of the article from which that which is claimed to be an infringement is produced. It does not rest on the copyright owner’s inventiveness or method of working, on the confidentiality of his instructions to his engineering or production staff or on his literary copyright in any written communication of those instructions. Essentially artistic copyright is concerned with visual image. This is of particular importance in the instant case, which has the unusual feature that the artistic copyright claimed stems in origin from drawings which are themselves out of copyright and therefore available for copying.

Reliance is ... principally placed, in this context, on the decision of the Court of Appeal in *British Leyland Motor Corp v Armstrong Patents Co Ltd* [1984] FSR 591 (reversed in the House of Lords on other grounds. See [1986] 1 All ER 850, [1986] 1 AC 577). There the argument was that what had been copied was not the artistic work but the co-ordinates shown on the drawing in the form of figures. That argument was rejected. Thus, it is argued, the explanatory legend forms part of the drawing and substantial alterations to the explanatory legend are substantial alterations to the drawing.

It has, however, to be borne in mind that all these cases were concerned with a very different question from that with which this appeal is concerned. It is one thing to say that the explanatory figures and legend, because they are of value (and, indeed, perhaps essential) to an informed understanding of the drawing, cannot be ignored in considering whether copyright in the drawing has been infringed by the making of a three-dimensional article or whether the article would appear to a non-expert to be a reproduction of the drawing. It is quite another to say that explanatory material, in the form of words or figures, which are clearly the subject of literary copyright, can confer on an artistic work an originality which it does not possess in its own right. It has always to be borne in mind that infringement of copyright by three-dimensional copying is restricted to artistic copyright (s 48(1)). To produce an article by following written instructions may be a breach of confidence or an infringement of patent, but it does not infringe the author’s copyright in his instructions. This is a distinction of crucial importance and it is well brought out in the following passage from the judgment of Buckley LJ in *Catnic Components Ltd v Hill & Smith Ltd* [1982] RPC 183 at 223:
I do not question the principle that in deciding whether what has been reproduced by an alleged infringer is a substantial part of the work allegedly infringed, one must regard the quality (that is to say the importance) rather than the quantity of the part reproduced (see Ladbroke (Football) Ltd v William Hill (Football) Ltd [1964] 1 All ER 465 at 469, 481 [1964] WLR 273 at 276, 293) per Lord Reid and Lord Pearce; but what is protected is the plaintiffs’ ‘artistic work’ as such, not any information which it may be designed to convey. If it is said that a substantial part of it has been reproduced, whether that part can properly be described as substantial may depend upon how important that part is to the recognition and appreciation of the ‘artistic work’. If an ‘artistic work’ is designed to convey information, the importance of some part of it may fall to be judged by how far it contributes to conveying that information, but not, in my opinion, by how important the information may be which it conveys or helps to convey. What is protected is the skill and labour devoted to making the ‘artistic work’ itself, not the skill and labour devoted to developing some idea or invention communicated or depicted by the ‘artistic work’. The protection afforded by copyright is not, in my judgment, any broader as counsel submitted, where the ‘artistic work’ embodies a novel or inventive idea than it is where it represents a commonplace object or theme.

One essence of an artistic work (to adopt the words of Whitford J in Rose Plastics GmbH v William Beckett & Co (Plastics) Ltd, 2 July 1987, unreported, of which their Lordships have seen only an approved transcript) is that which is ‘visually significant’; and counsel for Tyco asks, forensically, what is there in the 1976 drawings which is visually significant and which was not contained in and directly copied from the 1968 drawings? With deference to the Court of Appeal and accepting both the importance of and the skill involved in producing the design information transmitted to the mould makers by the revised figures substituted on the drawing, their Lordships can see no alteration of any visual significance such as to entitle the drawing, as a drawing, to be described as original.

Merchandising Corp of America v Harpbond [1983] FSR 32 (CA) was another case in which the protection of artistic works was invoked for novel subject-matter – here, the facial make-up of the popular singer Adam Ant (referred to by the court as ‘Mr Goddard’), of whom undergraduates using this book may be excused for never having heard.

Mr Wilson on behalf of the plaintiffs, has asked us to say that there has been a breach of copyright in reproducing the characteristic make-up used by Mr Goddard in his ‘new look’ and (it is said) indirectly copying the sketch which was wisely made, perhaps on advice by Mr Goddard before he launched his ‘new look’.

It is said, so far as the make-up aspect of the submission is concerned, that the make-up is covered by s 3 of the Copyright Act 1956. Subsection (1) of that section, for the purposes of this appeal, and I will only concern myself with the parts which are relevant to this appeal, provides as follows:
In this Act ‘artistic work’ means a work of any of the following descriptions, that is to say, (a) the following irrespective of artistic quality, namely, paintings, sculptures, drawings, engravings and photographs.

Mr Swift, on behalf of the defendants, pointed out that there is a marked difference between the provisions of s 2 of that Act, which deal with copyright in literary, dramatic and musical works, and those in s 3, which deal with copyright in artistic works. The difference is that, under s 2 ‘the acts restricted by the copyright in a literary, dramatic or musical work are’ and then a number are set out and the relevant one is in paragraph (f), ‘making any adaptation of the work’. In s 3, subsection (5) the acts restricted by the copyright in the artistic work are set out and they do not include ‘adaptation of the work’.

Mr Wilson’s bold submission at the beginning of his presentation of his clients’ case was that the marks on Mr Goddard’s face by way of facial make-up were painting. That caused me very considerable surprise because although there are various statutory provisions in the Act defining various words used in it, there is no statutory definition of a painting. ‘Painting’ is a word in the ordinary usage of the English language and it is a question of fact in any particular case whether that which is under discussion is or is not a painting. It seemed to me, right at the beginning of Mr Wilson’s submissions (and I want to be restrained in my language), that it was fantastic to suggest that make-up on anyone’s face could possibly be a painting.

Mr Swift, in his succinct and concise reply, pointed out what had occurred to me and I had mentioned to Mr Wilson in the course of argument, that a painting must be on a surface of some kind. The surface upon which the startling make-up was put was Mr Goddard’s face and, if there were a painting, it must be the marks plus Mr Goddard’s face. If the marks are taken off the face there cannot be a painting. A painting is not an idea: it is an object; and paint without a surface is not a painting. Make-up, as such, however idiosyncratic it may be as an idea, cannot possibly be a painting for the purposes of the Copyright Act 1956.

Infringement

17(1) The owner of the copyright in a work has, in accordance with the following provisions of this chapter, the exclusive right to do the following acts in the UK:

(a) to copy the work (see s 17);
(b) to issue copies of the work to the public (see s 18);
(c) to perform, show or play the work in public (see s 19);
(d) to broadcast the work or include it in a cable programme service (see s 20);
(e) to make an adaptation of the work or do any of the above in relation to an adaptation (see s 21);

and those acts are referred to in this part as the ‘acts restricted by the copyright’.
Copyright

(2) Copyright 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.

(3) References in this part to the doing of an act restricted by the copyright in a work are to the doing of it:
(a) in relation to the work as a whole or any substantial part of it; and
(b) either directly or indirectly;
and it is immaterial whether any intervening acts themselves infringe copyright.

The difficulty has always been determining what is a substantial part of a copyright work. In the debates on the 1988 Act, members of the House of Lords sought to introduce a degree of certainty into the law by defining the matter: but the amendment was rejected, and Lord Denning was one of the peers who spoke against it. He argued that judges could determine what was a substantial part without difficulty, but it would be impossible to define. Ravenscroft v Herbert [1980] RPC 193 (Brightman J) is a good example of the problems involved in identifying a substantial part of a work.

The question which I have to decide is a question of fact, whether there has been substantial copying of The Spear of Destiny amounting to an infringement of the plaintiff’s rights. This raises two issues, first, whether there has been copying, and, second, whether such copying is substantial within the meaning of s 49. I have read both books. The plaintiff gave evidence before me during a period of four days, and the defendant for almost three days. It is absolutely plain that in writing five of the prologues that I have mentioned the defendant copied from the plaintiff’s book. The next issue, therefore, is whether such copying is in relation to a substantial part of the plaintiff’s book and therefore in excess of what is a legitimate degree of copying.

Mr Laddie, for the defendants, rightly says that an author has no copyright in his facts, nor in his ideas, but only in his original expression of such facts or ideas. He submitted that in deciding whether copying is substantial there are four principal matters to be taken into account. First, the volume of the material taken, bearing in mind that quality is more important than quantity; second, how much of such material is the subject-matter of copyright and how much is not; third, whether there has been an animus brands on the part of the defendant; this was treated by Page-Wood VC in Jarrold v Coulston ((1857) 3 K & J 708) as equivalent to an intention on the part of the defendant to take for the purpose of saving himself labour; fourth, the extent to which the plaintiff’s and the defendant’s books are competing works.

Copyright protects the skill and labour employed by the plaintiff in production of his work. That skill and labour embraces not only language originated and used by the plaintiff, but also such skill and labour as he has employed in selection and compilation. The principles are clear from the cases. There is a helpful summary of the authorities in Varman Pictures NV v Osborne [1967] 1 WLR 723. For my purposes it is sufficient to cite two passages from that case which are taken from earlier authority:
... another person may originate another work in the same general form, provided he does so from his own resources and makes the work he so originates a work of his own by his own labour and industry bestowed upon it. In determining whether an injunction should be ordered, the question, where the matter of plaintiff’s work is not original, is how far an unfair or undue use has been made of the work? If, instead of searching into the common sources and obtaining your subject-matter from thence, you avail yourself of the labour of your predecessor, adopt his arrangements and questions, or adopt them with a colourable variation, it is an illegitimate use.

This appears at p 730 of the report. There is also a passage:

In the case of works not original in the proper sense of the term, but composed of, or compiled or prepared from materials which are open to all, the fact that one man has produced such a work does not take away from anyone else the right to produce another work of the same kind, and in doing so to use all the material open to him. But as the law has been precisely stated by Hall VC in *Hogg v Scott* (1874) LR 18 Eq 444, ‘the true principle in all these cases is that the defendant is not at liberty to use or avail himself of the labour which the plaintiff has been at for the purpose of producing his work, that is, in fact, merely to take away the result of another man’s labour or, in other words, his property’. See p 732.

In this case the judge was confronted with the well-known book by Mrs Cecil Woodham Smith entitled *The Reason Why* and also the script for a motion picture written by John Osborne. The question which the judge posed was this (at p 736):

... did John Osborne work independently and produce a script which, from the nature of things, has much in common with the book, or did he proceed the other way round and use the book as a basis, taking his selection of incidents and quotations therefrom, albeit omitting a number and making some alterations and additions by reference to the common sources and by some reference to other sources?

The main thrust of Mr Laddie’s argument was that the plaintiff intended his book to be read as a factual account of historical events, that the defendant accepted it as fact and did no more than repeat certain of those facts. The plaintiff cannot claim a monopoly in historical facts. The law of copyright does not preclude another author from writing upon the same theme. It is perfectly legitimate for another person to contrive a novel about the Hofburg spear, even about its supposed ancestry and supernatural powers. Otherwise one would be driven to the conclusion that the plaintiff has a monopoly of the facts. Members of the public are entitled to use *The Spear of Destiny* as a historical work of reference.

I am inclined to accept that a historical work is not to be judged by precisely the same standards as a work of fiction. The purpose of a novel is usually to interest the reader and to contribute to his enjoyment of his leisure. A historical work may well have that purpose, but the author of a serious and original historical work may properly be assumed by his readers to have another purpose as well, namely to add to the knowledge possessed by the reader and
perhaps in the process to increase the sum total of human experience and understanding. The author of a historical work must, I think, have attributed to him an intention that the information thereby imparted may be used by the reader, because knowledge would become sterile if it could not be applied. Therefore, it seems to me reasonable to suppose that the law of copyright will allow a wider use to be made of a historical work than of a novel so that knowledge can be built upon knowledge.

Having studied the two books and heard the evidence, I have no shadow of doubt that the defendant has copied from The Spear of Destiny to a substantial extent. In the prologues that I have mentioned he has deliberately copied the language of the plaintiff an many occasions. To a more significant extent he has adopted wholesale the identical incidents of documented and occult history which the plaintiff used in support of his theory of the ancestry and attributes of the spear, of Hitler’s obsession with it and also General Patten’s. He did this in order to give his novel a backbone of truth with the least possible labour to himself. In so doing he annexed for his own purposes the skill and labour of the plaintiff to an extent which is not permissible under the law of copyright. The defendant has clearly infringed the plaintiff’s copyright. I am only sorry that so much time, effort and money has had to be spent on the trial of this action.

Identifying when a substantial part of a copyright work has been copied is particularly difficult when the work in question is a computer program. We have seen how the American courts (or at least one of them: others have since followed suit) have dealt with the scope of copyright protection, but the absence of an equivalent in the UK to § 102(b) means that a different approach is needed. However, in John Richardson Computers Ltd v Flanders and Chemtec Ltd [1993] FSR 497, Falconer J tried just a little too hard to use the American cases:

6. Approach to be adopted by the court in this type of case

Whatever may have been supposed when these proceedings were commenced it is apparent now that this is not a case where it can be said that any substantial parts of the source code of the BBC program have been copied in the Chemtec program. The two programs are, of course, written in different computer languages. This by itself would not avoid infringement if the Chemtec program could be said to be a translation of the BBC program, or a substantial part of it, into a different language (see s 1(2) of the 1985 Act, now s 21(4) of the 1988 Act). But this is not what is said to have happened. What is said is that the defendants have taken the general scheme of the BBC program, including the detail of certain routines of an idiosyncratic nature. The case was likened by Mr Wilson, on behalf of JRC, to one in which the plot of a book or other literary work has been taken.

As examples of such cases I was referred to Rees v Melville (1936) Mac CC 107 and Harman Pictures v Osborne [1967] 1 WLR 723. In the first of these cases Swinfen Eady LJ is reported as saying:

In order to constitute an infringement it was not necessary that the words of the dialogue should be the same, the situations and incidents, the mode in which the ideas were worked out and presented might constitute a
material portion of the whole play, and the court must have regard to the
dramatic value and importance of what, if anything, was taken, even
although the portion might in fact be small and the actual language not
copied. On the other hand, the fundamental idea of two plays might be the
same, but if worked out separately and on independent lines they might be
so different as to bear no real resemblance to one another.

I was referred also to the US case of *Nichols v Universal Pictures Corporation* 45 F
(2d) 119 which concerned the allegation that the defendant had infringed the
plaintiff’s copyright in a play entitled *Abie’s Irish Rose* by producing a film
called *The Cohens and the Kellys*. Both works concerned the events in two
families, one Jewish the other Irish, when children of each family were married
against the opposition of their families. It was held on the facts that the
defendant’s work took from the plaintiff’s work only what was permissible in
law, but it is implicit in the decision that if sufficient additional material had
been taken there might have been infringement, notwithstanding that
particular passages in one work could not be directly matched with passages
in the other. The importance of the case arises mainly from the following
passage in the judgment of the Circuit Court of Appeals, given by Judge
Learned Hand (I cite from p 121 of the report and have omitted certain
references to authority):

> It is of course essential to any protection of literary property, whether at
> common law or under the statute, that the right cannot be limited literally
to the text, else a plagiarist would escape by immaterial variations. That
has never been the law, but, as soon as literal appropriation ceases to be
the test, the whole matter is necessarily at large, so that, as was recently
said by a distinguished judge, the decisions *cannot* help much in any new
case ... When plays are concerned the plagiarist may excise a separate
scene ... or he may appropriate part of the dialogue ... Then the question is
whether the part so taken is ‘substantial’, and therefore not a ‘fair use’ of
the copyrighted work; it is the same question as arises in the case of any
other copyrighted work ... But when the plagiarist does not take out a
block in situ, but an abstract of the whole, decision is more troublesome.
Upon any work, and especially upon a play, a great number of patterns of
increasing generality will fit equally well, as more and more of the incident
is left out. The last may perhaps be no more than the most general
statement of what the play is about, and at time may consist only of its
title; but there is a point in this series of abstractions where they are no
longer protected, since otherwise the playwright could prevent the use of
his ‘ideas’, to which, apart from their expression, his property is never
extended ... Nobody has ever been able to fix that boundary, and nobody
ever can. In some cases the question has been treated as though it were
analogous to lifting a proportion of the copyrighted work ... but the
analogy is not a good one, because, though the skeleton is a part of the
body, it pervades and supports the whole. In such cases we are rather
concerned with the line between the expression and what is expressed. As
respects plays the controversy chiefly centres upon the characters and
sequence of incident, these being the substance.
Mr Wilson, on behalf of JRC, also relied upon *Ladbrooke (Football) Ltd v William Hill (Football) Ltd* [1964] 1 All ER 465, [1964] 1 WLR 273. In that case Ladbrokes admitted having copied some parts of Hill’s fixed odds football betting coupons, but denied that Hill was entitled to copyright in those parts. They admitted that certain other parts of Hill’s coupons were protected by copyright, but they had not copied these parts. It was held by the House of Lords that the coupon had to be looked at as a single literary work and that, having regard to the skill and effort involved in working out certain parts of Hill’s coupon the coupon as a whole was an original compilation which was protected by copyright. I quote from the speech of Lord Pearce at p 291:

> In deciding therefore whether a work in the nature of a compilation is original, it is wrong to start by considering individual parts of it apart from the whole, as the appellants in their argument sought to do. For many compilations have nothing original in their parts, yet the sum total of the compilation may be original; see, for instance, the case of *Palgrave’s Golden Treasury* referred to by the Privy Council in *Macmillan & Co Ltd v K & J Cooper*. In such cases the courts have looked to see whether the compilation of the unoriginal material called for work or skill or expense. If it did, it is entitled to be considered original and to be protected against those who wish to steal the fruits of the work or skill or expense by copying it without taking the trouble to compile it themselves.

This approach, of course, gives rise to a further question where it is contended that what the defendant has copied is one or more of the unoriginal parts, not the compilation as a whole. As to this question, Lord Pearce said (at p 293):

> Whether a part is substantial must be decided by its quality rather than its quantity. The reproduction of a part which by itself has no originality will not normally be a substantial part of the copyright and therefore will not be protected. For that which would not attract copyright except by reason of its collocation will, when robbed of that collocation, not be a substantial part of the copyright and therefore the courts will not hold its reproduction to be an infringement. It is this, I think, which is meant by one or two judicial observations that ‘there is no copyright’ in some unoriginal part of a whole that is copyright. They afford no justification, in my view, for holding that one starts the enquiry as to whether copyright exists by dissecting the compilation into component parts instead of starting it by regarding the compilation as a whole and seeing whether the whole has copyright. It is when one is debating whether the part reproduced is substantial that one considers the pirated portion on its own.

Although I have quoted only from the speech of Lord Pearce, it appears to me that what is said in those two passages reflects the approach adopted by the other members of the House as well.

On behalf of Mr Flanders and Chemtec Mr McEwen accepted, I think, that a computer program is equivalent to a compilation. But he argued that copyright law gives protection to such a compilation only to a limited extent. His first contention was that a rival program which did not copy a substantial part of the source code of the plaintiff’s program could not be regarded as reproducing that program or a substantial part of it. Alternatively, if that be
too strict a test, he argued that copying of a substantial part of what he described as the structure and organisation of the program must be established in order that infringement shall be proved.

In support of the strict test Mr McEwen referred me to *Thrustcode Ltd v WW Computing Ltd* [1983] FSR 502. This was a decision of Sir Robert Megarry VC made on a motion by the plaintiffs for an interlocutory injunction to restrain alleged infringement of the plaintiffs’ copyright in a computer program. Sir Robert Megarry said at pp 505–06:

> With that, I turn to what I have found a central difficulty. In the normal case in which an infringement of literary copyright is alleged, it is possible to put side by side the written, typed or printed words in which the plaintiff claims copyright and the corresponding words which are said to infringe that copyright. The words can be seen and compared and discussed. In the case of computer programs, the software appears to consist of articles which by magnetic or electrical means will make the hardware do certain things, together with what is recorded on various tapes and disks. By means of this, the letters, signs and numbers of the program may be made to appear on a screen or on a printout; and if this is done, then the familiar process of comparison is made possible. Yet where, as here, the claim is to copyright in the program itself, the results produced by operating the program must not be confused with the program in which copyright is claimed. If I may take an absurdly simple example, 2 and 2 make 4. But so does 2 times 2, or 6 minus 2, or 2% of 200, or 6 squared divided by 9, or many other things. Many different processes may produce the same answer and yet remain different processes that have not been copied one from another. For computers, as for other things, what must be compared are the thing said to have been copied and the thing said to be an infringing copy. If these two things are invisible, then normally they must be reproduced in visible form, or in a form that in some way is perceptible, before it can be determined whether one infringes the other.

In some cases, no doubt, it may be possible in some other way to demonstrate that one is a copy of the other, as where there is some evidence or some admission that when one computer was being programmed, someone was watching and was programming a rival computer in the same or a similar way. Normally, however, what will be needed is a printout or other documentary evidence of the program alleged to have been copied, and of the alleged infringing program, or sufficient parts of each. You must look at what the programs are, and not only at what they do or can do.

As I read the decision the plaintiffs’ claim for an injunction in the *Thrustcode* case failed because no evidence was adduced sufficient to enable the court to make this comparison. The source code was not put in evidence. It appears, however, from the second paragraph in the passage from the judgment that I have just quoted, that Sir Robert Megarry was not seeking to lay down any general rule as to the means by which copying of a computer program might be established or as to the test to be applied.
Approaching the matter somewhat more broadly, Mr McEwen commended the test of copying summarised in the following passage from the judgment of Millett J in *Spectravest Inc v Aperknit Ltd* [1988] FSR 161 at p 170:

In *Bauman v Fussell* [1978] RPC 485, the Court of Appeal pointed out that a man may reproduce a substantial part of another work even though the whole which he produces is not a reproduction of the original in its essential features. Accordingly, where the reproduction of a substantial part of the plaintiff’s work is alleged, a sensible approach is first to identify the part of the plaintiff’s work which is alleged to have been reproduced and to decide whether it constitutes a substantial part of the plaintiff’s work. The test is qualitative and not, or not merely, quantitative. If it does not, that is an end of the case. If it does, the next question is whether that part has been reproduced by the defendant. Reproduction does not mean exact replication. A man may use another’s work as an inspiration to make a new work of his own, treating the same theme in his own manner; but he is not entitled to steal its essential features and substance and retain them with minor or inconsequential alterations. The question is whether there is such a degree of similarity between the salient features of the two works that the one can be said to be a reproduction of the other. In considering whether a substantial part of the plaintiff’s work has been reproduced by the defendant, attention must primarily be directed to the part which is said to have been reproduced, and not to those parts which have not.

Mr McEwen also commended, as indicating a correct approach, paragraph 8–47 in Copinger and Skone James on *Copyright*, 13th edition, which reads as follows:

The fact that two programs perform the same functions or produce the same displays on a screen will not by itself mean that there has been copying, although, of course, this may give rise to an inference that this is what has happened. Copying may take the form of copying of lines of instruction, either verbatim or only colourably imitated, or the structure of the plaintiff’s program may have been reproduced, in whole or in part. It is suggested that the usual principles will apply in determining whether, if it is established that part of the plaintiff’s program has been taken, this amounts to a substantial part. Idiosyncrasies or mistakes in the plaintiffs’ program will support an inference of copying but the fact that both programs contain *command* sequences that are common in the industry will not by itself do so. Whether a defendant who has observed the results of the plaintiff’s program in operation, but who has had no access to the plaintiff’s program in any form, will infringe copyright if by a process of ‘reverse programming’ he produces a program which is substantially similar to the plaintiff’s, is an open question. It is suggested that if the defendant has merely taken the idea of the plaintiff’s program, as exemplified by it in operation, and has then by his own efforts created a work which resembles the plaintiff’s, he will not have infringed, since he will not have taken any unfair advantage of the labour, skill and effort.

3 *Sweet & Maxwell, 1991.*
which went into the creation of the plaintiffs work. The position would, it
is thought, be different if the defendant, in addition to merely reproducing
the results of the plaintiff’s program in operation, had observed and
reproduced the routines by which these were achieved.

That passage draws to some extent on the US decision in *Whelan Associates, Inc
v Jaslow Dental Laboratory Inc* [1987] FSR 1. Mr McEwen helpfully referred me
to that authority and other US decisions, some of which I shall need to
consider.

The US authorities appear to place much reliance upon the principle that there
is no copyright in ideas, only in the expression of ideas. This principle is now
enshrined in statute in the US. It is, of course, recognised and applied in
English law too (although the dangers inherent in too extensive a reliance on it
are convincingly expounded in *The Modern Law of Copyright* by Laddie,
Prescott and Vitoria (1980) at paragraphs 2–50 to 2–55). The seminal decision
in the US appears to be *Baker v Selden* (1879) 101 US 99. In that case the plaintiff
had devised a new system of accounting and published a textbook describing
his system and incorporating certain specimen forms. The defendant
published equivalent forms for carrying out the same method and was sued
for infringement of copyright. The defendant succeeded on a number of
grounds, one of which was put as follows in the US Supreme Court:

> The description of the art in a book, though entitled to the benefit of
copyright, lays no foundation for an exclusive claim to the art itself. The
object of the one is explanation; the object of the other is use. The former
may be secured by copyright. The latter can only be secured, if it can be
secured at all, by letters patent.

In *Whelan* complaint was made that the defendants had infringed the plaintiff’s
copyright in a computer program. The Circuit Court of Appeal for the Third
Circuit attempted to formulate a rule for distinguishing idea from expression
in computer programs in the following passage ([1987] FSR at p 19):

> Just as *Baker v Selden* focused on the end sought to be achieved by Selden’s
book, the line may be drawn by reference to the end sought to be achieved
by the work in question. In other words the purpose or function of a
utilitarian work would be the work’s idea, and everything that is not
necessary to that purpose or function would be part of the expression of
the idea ...

> Where there are various means of achieving the desired purpose then the
particular means chosen is not necessary to the purpose; hence there is
expression not idea.

In a footnote to this part of its judgment the Circuit Court recognised that the
test was necessarily difficult to state and might be difficult to understand in
the abstract. It explained that the idea of the plaintiff’s program, namely the
efficient management of a dental laboratory, could be accomplished in a
number of different ways with a number of different program structures, with

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the result that the structure of the plaintiff’s program was part of the program’s expression, not idea.

The approach adopted in Whelan has, however, not found favour in two later US decisions. Computer Associates International, Inc v Altai, Inc was decided by the Court of Appeals for the Second Circuit on 22 June 1992. I was provided with a Lexis print of the decision the reference to which appears to be 1992 US App Lexis 14305. The issue was whether the plaintiffs’ copyright in a program called Adapter was infringed by the defendants’ program called Oscar, version 3.5. Approximately 30% of the code of an earlier version of Oscar, version 3.4, was found to have been copied from the code of Adapter. After the defendants realised that this had been done by the programmer employed to write version 3.4 they caused version 3.5 to be written by programmers who had no access whatever to Adapter. The plaintiffs maintained nevertheless that version 3.5 was an infringement of their copyright by virtue of the copying of the ‘non-literal’ aspects of Adapter, that is those aspects not reduced to written code. In that respect, therefore, the issue in the Consumer Associates case was similar to the main issue in this case. The argument of the plaintiffs was that if, as illustrated by Nichols v Universal Pictures, to which I have referred above, and other authorities, the non-literal structures of literary works are protected by copyright and if, as the US legislation like the UK legislation, provides computer programs are literary works, then the non-literal structures of computer programs are protected by copyright. Up to a point the Circuit Court of Appeals in the Computer Associates case was prepared to go along with this proposition, but it proceeded to explore its limits.

It did this by first going to Baker v Selden. Of the decision in that case the Circuit Court of Appeals said:

The court concluded that those aspects of a work which ‘must necessarily be used as incident to’ the idea system or process are also not copyrightable ... Selden’s ledger sheets, therefore, enjoyed no copyright protection because they were ‘necessary incidents to’ the system of accounting that he described ... From this reasoning we conclude that those aspects of a computer program that are necessarily incidental to its function are similarly unprotectable.

Next the court turned to the decision in Whelan. After referring to criticism which that decision had received the court said:

This criticism focuses not upon the program’s ultimate purpose but on the reality of its structural design. As we have already noted, a computer program’s ultimate function or purpose is the composite result of interacting subroutines. Since each subroutine is itself a program, and thus may be said to have its own ‘idea’, Whelan’s general formulation that a program’s overall purpose equates with the program’s idea is descriptively inadequate.

The Court of Appeals agreed with the district judge’s decision not to follow Whelan. It then became necessary for the Court of Appeals to formulate an alternative test. This it did by going back to what Judge Learned Hand had said in the Nichols case. It described this as the ‘abstractions test’. In order to understand this label and the test itself it is necessary to read again part of the
passage from Nichols which I have already read. As cited by the Court of Appeals in Consumer Associates it is as follows:

Upon any work ... a great number of patterns of increasing generality will fit equally well, as more and more of the incident is left out. The last may perhaps be no more than the most general statement of what the [work] is about, and at times might consist only of its title; but there is a point in this series of abstractions where they are no longer protected, since otherwise the [author] could prevent the use of his ‘ideas’, to which, apart from their expression, his property never extended.

The Court of Appeals elaborated upon this process by saying that:

Initially, in a manner that resembles reverse engineering on a theoretical plane, a court should dissect the allegedly copied program’s structure and isolate each level of abstraction contained within it. This process begins with the code and ends with an articulation of the program’s ultimate function. Along the way, it is necessary essentially to retrace and map each of the designer’s steps in the opposite order to that in which they were taken during the program’s creation.

As an anatomical guide to this procedure, the following description is helpful:

At the lowest level of abstraction, a computer program may be thought of in its entirety as a set of individual instructions organised into a hierarchy of modules. At a higher level of abstraction, the instructions in the lowest level modules may be replaced conceptually by the functions of those modules. At progressively higher levels of abstraction, the functions of the higher-level modules conceptually replaces the implementations of those modules until, finally, one is left with nothing but the ultimate function of the program ... A program has structure at every level of abstraction at which it is viewed. At low levels of abstraction, a program’s structure may be quite complex; at the highest level it is trivial.

That description is, I think, taken from a text book which had been cited to the Court of Appeals.

In the test propounded in Consumer Associates the discovery of a program’s abstraction levels is the first step. The second step is to filter these abstractions in order to discover a ‘core of protectable material’. In the process of filtration there are to be excluded from consideration (a) elements dictated by efficiency; (b) elements dictated by external factors and (c) elements taken from the public domain. Each of these categories is explained at some length. The essence of the ‘elements dictated by efficiency’ is that if there is only one way to express an idea, the idea and its expression are inseparable and copyright does not prevent the copying of the expression. The exclusion of ‘elements dictated by external factors’ arises from the fact that if two persons set about the description of the same event there may be a number of particular facts which can only be described in a particular way. The Court of Appeals cited with evident approval the observation of Professor Nimmer (a well-known academic commentator on US copyright law) that:

in many instances it is impossible to write a program to perform particular functions in a specific computing environment without employing standard techniques.
As to ‘elements in the public domain’:

plaintiffs may not claim copyright of an … expression that is, if not standard, then commonplace in the computer software industry.

The third step in the process suggested in the Computer Associates case is to compare what is left of the ‘abstractions’ made from the plaintiffs’ program after filtering out these elements with the program which is said to be an infringement of that program.

I have thought it right to deal at some length with the Computer Associates case because it explores the difficulties which arise in applying copyright law to computer programs to a greater extent than any English authority does. In the even more recent case of Sega Enterprises Ltd v Accolade Inc, 20 July 1992, 1992 US App Lexis 26645, the US Court of Appeals for the Ninth Circuit approved the approach adopted by the Court of Appeals for the Second Circuit in Computer Associates. Not surprisingly, neither of these decisions has yet been considered in an English case. There are references to Whelan in the judgments of Hoffman J in Computer Aided Systems v Bolwell, unreported 23 August 1989, and of Judge Paul Baker QC in Total Information Processing Systems Ltd v Daman Ltd [1992] FSR 171, but both these references are very general and neither of them can be said to indicate a preference for the Whelan approach over the approach which has since been adopted on two federal circuits in the US.

There is thus nothing in any English decision which conflicts with the general approach adopted in the Computer Associates case. I think that in preference to seeking the ‘core of protectable expression’ in the plaintiffs’ program an English court will first decide whether the plaintiffs’ program as a whole is entitled to copyright and then decide whether any similarity attributable to copying which is to be found in the defendants’ program amounts to the copying of a substantial part of the plaintiffs’ program.

This was the approach which was held to be correct in the William Hill case. But at the stage at which the substantiality of any copying falls to be assessed in an English case the question which has to be answered, in relation to the originality of the plaintiffs’ program and the separation of an idea from its expression, is essentially the same question as the US court was addressing in Computer Associates. In my judgment it would be right to adopt a similar approach in England. This means that consideration is not restricted to the text of the code, as Mr McEwen submitted that it was when putting the defendants’ case at its highest level. Moreover the argument that consideration should be limited to the ‘structure and organisation’ of the program imports an unacceptable degree of uncertainty, because it is unclear at what level of abstraction (to use that term in the sense in which it was used in Computer Associates) the structure and organisation is to be discerned. Nevertheless I find difficulty in applying the abstractions test to the particular facts of this case, as will become apparent at a later stage.

Before ending my comments on general approach I must, I think, address a further problem which arises in a case of this kind. Under the 1988 Act computer programs are protected as ‘literary works’. They are, nevertheless invisible to the eye which can discern a conventional literary work. As Sir Robert Megarry VC remarked in the Thrustcode case, if two things which are
invisible are to be compared then normally they must be reproduced in visible form, or in a form which is in some way perceptible, before it can be determined whether one infringes copyright in the other. The two main ways, perhaps the only ways, in which a computer program can be made visible are by printing out the code on paper or by displaying on screen the prompts, entries, reports and other material which the program presents in visible form to the user. The latter is not, however, itself the program. It is a product of the program. The fact that two programs may produce a similar screen display may or may not be indicative of a similarity in the programs. The screen display is not itself the literary work which is entitled to copyright protection. A particular display may enjoy a separate copyright protection as an artistic work in the form of a photograph, or as a film, or as being a reproduction of an artistic work in the form of a drawing the copying of which will be, for copyright purposes, the copying of the drawing. But no such copyright is relied on in this case. It appears to me, therefore that screen displays are only to be relied upon in this case to the extent that they demonstrate the contents of the underlying program in which the relevant copyright subsists.

Further evaluation of the arguments of the parties in the present case must await an appraisal of the evidence concerning substantial similarity and copying, to which I now turn.

7. Are there objective similarities between the BBC program and the Chemtec Program?

   (1) The BBC Program

   I will first attempt a brief description of the main features of the BBC program. These may be summarised as follows:

   (a) When the computer is switched on and the program begins to run the first thing that the pharmacist is asked (by means of a question displayed on the screen) is to enter the current date. The BBC computer, unlike a more modern IBM computer, has no built-in calendar or clock, so that the current date has to be set manually each time the computer is switched on. The pharmacist is prompted to enter the day by keying in a number between 1 and 31; the month by keying in a number between 1 and 12; and the year by keying in a number between 00 and 99. The prompt and the numbers entered by the pharmacist are displayed on the screen in a vertical form, the day being on the top line, the month on the second line and the year on the bottom.

   (b) The pharmacist is then asked to enter the date he requires on the labels. This will usually be the current date and, if this is what the pharmacist requires, he is prompted simply to press the return key. In some circumstances, however, the pharmacist may wish to print a different date on his labels. If he does, the date is entered by him in a similar manner to that which I have described for the current date.

   (c) Next the pharmacist is asked if he wishes to re-set the daily figures. This relates to the stock control part of the program, which, in the BBC program, is based upon keeping a daily count of the quantity of each drug dispensed. The pharmacist has to answer yes or no to this
question. If he answers yes the computer will, after carrying out the reset (which the pharmacist cannot observe) display the message ‘Operation successful’, accompanied by a double beep to attract attention audibly.

(d) The program then goes automatically to the labelling routine. There is displayed on the screen the outline of a label, formed by a row of hyphens at the top and bottom of the label area. Within the label outline the date is displayed at the bottom right corner. At the top right corner, outside the label, there is displayed a computer prompt consisting of the letters ‘QTY’. This is to indicate to the pharmacist that he is to begin by entering the quantity of the drug which is being dispensed. When he does this (eg by entering 100, indicating 100 tablets) the figure appears within the label at the top right hand comer.

(e) The prompt outside the top right hand corner of the label then changes to ‘DRUG’ in order to indicate to the pharmacist that he is to enter the name of the drug being dispensed. This can be done by typing in the full name, but this is often complex and difficult to spell. The BBC program (which is not now claimed to be original in this respect, although the contrary was asserted when the case was opened) offers a short cut by means of a four letter code. The pharmacist enters the first three letters of the name of the drug. There is then displayed on the screen a list of drugs whose names begin with those three letters. For each drug of a particular name or type the display will denote a fourth digit. The pharmacist then enters the fourth digit appropriate to the drug which he is dispensing. The full name of the drug then appears on the screen. For example, if the pharmacist is dispensing Aldomet 250 mg tablets he first enters the letters ALD. There is then displayed a list of drugs beginning with the letters ALD. This list will include, for example, Aldactide, which is quite a different drug from Aldomet. It will also include several varieties of Aldomet, probably according to size of tablet. The display shows the pharmacist that for Aldomet 250 mg tablets the fourth digit is 2. The pharmacist then enters 2, whereupon there is displayed on screen, within the label area, the full description ‘Aldomet 250 mg tablets’.

(f) Because of the limited memory of the BBC computer it is not possible to insert into memory, when the program is loaded, a complete list of all possible drugs that a pharmacist might be required to dispense. The list loaded into memory is therefore a restricted list confined to the most commonly prescribed drugs. It is not a rigid list. Provision is made for the pharmacist to edit it by adding to it other drugs which he finds it convenient to have in the restricted list, or by deleting from it drugs which he might rarely or never dispense. When the pharmacist enters the first three letters of the name of the drug, only the drugs beginning with these three letters included in the restricted list are displayed on the screen. If the pharmacist cannot find the name of the drug he is dispensing in this list he needs to consult the full list, which is stored in the C-MOS addition to memory, access to which takes slightly longer than access to the list contained in the internal memory.
The display of the restricted list indicates to the pharmacist what he should do in order to obtain access to the full list. Having done this, the relevant part of the full list is displayed and the pharmacist can make his selection by use of the fourth digit as before. This process of relegating the full list of pressing the ‘Copy’ key, works on the basis that the original text is removed only if something else is put in its place. Hence the pharmacist who simply wants to delete a line should, after pressing the ‘Copy’ key, type a space. This will not appear on the screen or in the subsequently printed label but, so far as the program is concerned, it is seen as a substitution for the original text. Hence it will work as a deletion.

(g) Having completed the label, which may contain up to seven lines of text, the pharmacist presses the return key. He is then given the opportunity to check and amend or print the label. For this purpose there is displayed at the bottom of the screen a menu offering the following alternatives:

To alter quantity press ‘Q’
To amend label press line No (1–7)
To cancel or restart press “/”
To print without counting press “-‘
To print more than one label press “X”
To print spare labels, E=1, B=2
For extra pack labels press ‘shift’ 1–9
For drug name off press ‘N’
Or to print label press ‘copy’ key. (The last option is given apart from the rest of the menu, generally as I have reproduced it.) Some of the items in this menu may be self-explanatory. I do not propose to take time to explain those that are not. It will suffice to say that by pressing ‘Q’ the pharmacist is able to change, by typing in a new figure, the quantity part of the first line of the label. The rest of the first line, consisting of the drug name, can only be edited at this stage by pressing ‘1’ and then correcting the error. Other lines can be edited by pressing the corresponding number and proceeding with the correction.

(h) When the pharmacist is content with the label he prints it by pressing the ‘Copy’ key.

The foregoing summary relates to the labelling routine. There are two other features of the BBC program which I must endeavour to describe. First, as an alternative to the labelling routine, the pharmacist can gain access to a number of other functions. This is done by pressing the ‘Escape’ key while in the labelling routine. There is then displayed a list, described as the ‘Main Menu’, of the available functions. Correspondingly it is possible to return to the labelling routine from the main menu by pressing the ‘Escape’ key. The main menu offers some 17 functions, apart from labelling. These include obtaining access to the files containing records of drugs and dose codes, both for the purpose of viewing the data recorded
and for the purpose of amending this data. For example the pharmacist
can add particulars of new drugs to the restricted list or he can add new
dose codes, made up by himself.

The second feature which requires mention is the stock control facility.
What may be described as a conventional system of stock control is one in
which a retailer starts with his existing stock of a particular item, adds to it
new purchases of the same item and deducts sales of the same item. A
computerised version of this system can be designed in such a way as to
compare the actual stock at any given time with a notional or ideal figure,
an order being generated when the actual stock falls below the ideal. When
a stock control system was devised for the Video Genie program, while Mr
Howarth was engaged by JRC, a different system was adopted. Mr
Richardson took the view that most pharmacists carried too much stock.
With daily, or more frequent, deliveries of new stock available to virtually
all pharmacies in the UK, Mr Richardson considered that it was
unnecessary for a pharmacist to carry more stock of a particular item than
he needed in order to satisfy his maximum daily usage of that item.
Accordingly the Video Genie program, and later the BBC program, were
written on the basis that, as each label is produced, the computer keeps a
tally of the quantity of each item dispensed on each day. As each day’s
work is completed (ie as the daily figures are re-set to zero) the program
causes the total for that day to be compared with the highest daily total
during a particular period. In the BBC program that period is the current
month and the preceding month. If the most recent day’s total is higher
than the total for any previous day in the two-month period it is
substituted for that total; if it is lower then the total for the previous
highest day is retained. This total is described in the BBC program as the
minimum stock and the amount of it is printed as a number on the label
below the patient’s name. The purpose of doing this is that if the
pharmacist prints the label and fixes it to the pill bottle or other container
before going to the shelf in his pharmacy to get the drug in question, he
has with him a note of the minimum quantity that he needs to hold and, if
he then observes that he is running short, he places a new order.

A refinement of this system was later developed and incorporated into the
BBC system.

This provides for automatic ordering. This is made possible by recording,
in respect of each drug, the pack size in which it is supplied to the
pharmacy, and the size of any minimum order. Thus a particular drug
dispensed in tablet form might come in packs of 500 tablets and a
pharmacist might have, for reasons of his own or of his supplier, a
minimum order of three packs. The best day’s use system which I have
already described might have registered a minimum stock of 230 tablets
for that item. The JRC handbook supplied with the BBC computer
recommends that, as the pharmacist observes that his stock is approaching
the minimum, he should place a new order (ie for 3 packs, on the figures I
have assumed) and then switch to ‘Auto-ordering’ for the drug in
question. This is done by making an amendment to the file for that
particular drug. The details of how it is done do not matter. The program
then causes the quantities of that drug prescribed to be recorded on a cumulative basis and, when the amount prescribed is such as to reduce the stock to the level at which it was when the system was switched to auto-order, the computer will automatically generate an order for the minimum quantity. How this happened does not matter greatly for present purposes. It depends on the sophistication of the particular system supplied. At the most rudimentary level the computer merely places the drug on a ‘wants list’, leaving it to the pharmacist, after consulting the list, to place the order. At a more sophisticated level the computer may itself cause an order to be placed with a supplier by transmitting a message through a modem via the ordinary telephone system. The computer does not need to know what level of stock was held before the switch to auto-order. The essence of the program is that, by comparison of orders and usage, stock can be prevented from falling below a particular level. The BBC program causes a figure, called ‘balance’, to be displayed in relation to each drug. For a drug which had not yet been placed on auto-order this figure was meaningless – it merely represents a cumulative total dispensed. When switching to auto-order the balance had to be zeroed and it is automatically zeroed again when an order is subsequently generated. In between these times the ‘balance’ represents the total quantity of the drug dispensed since the last order. By comparison of this figure with the pack size and minimum order figures the pharmacist can see at any given time how near he is to the generation of the next order.

(2) The Chemtec program

I now turn to the Chemtec program. Before I describe particular features of this program there are some more general observations which I ought to make.

First, it is accepted on behalf of JRC that the Chemtec program is a substantially larger program than the BBC program and that it contains many features which have no counterpart in the BBC program. It is not disputed that some at least of these features are ingenious and valuable and the product of considerable skill and effort expended by Mr Flanders after he had severed all contact with JRC. Any copyright in these features belongs, therefore, to Mr Flanders or to Chemtec and not to JRC. Nevertheless, in making a comparison between the BBC and the Chemtec programs for the purpose of ascertaining whether there has been a breach of copyright, it is proper to give these features less attention than those which are said to be the same as, or similar to, features of the BBC program. I think that this follows from the passage in the judgment of Millett J in Spectravest Inc v Aperknit Inc [1988] FSR 161 which I have already cited. Nevertheless I shall have to describe some features of the Chemtec program which have no counterpart in the BBC program in order to put those which do have a counterpart in their proper context.

Second, the attack of JRC on the Chemtec program was originally based on reports made by the expert witness called on behalf of JRC, Mr Ronald James McQuaker. In particular reliance was placed on Mr McQuaker’s second report, made in January 1992. In Chapter 4 of that report Mr McQuaker made some comparisons of the BBC and Chemtec programs at
what he described as ‘User level’. In Chapter 5 he made some comparisons between the two programs and other pharmaceutical labelling programs marketed by third parties. In Chapter 6 he made a comparison between the BBC and Chemtec programs at technical level. In Chapter 7 he sought to make a comparison of parts of the source codes for the BBC and Chemtec programs respectively. All these chapters are potentially relevant to the identification of objective similarities between the two programs, but I found Chapter 7 in particular to be extremely difficult to understand, partly because of its inherent technical complexity and partly because it was not explained to me by Mr McQuaker in his oral evidence-in-chief – a process which, I fear, would, if embarked upon, have taken some time and called for much patience on the part of Mr McQuaker and Mr Wilson. I explained my difficulty to Mr Wilson and I indicated to Mr McEwen that I did not expect him to deal in any detail with Mr McQuaker’s Chapter 7 until Mr Wilson had an opportunity of trying to make me understand it more fully. In the event Mr Wilson did not avail himself of this opportunity. As I understood him, he took the view that if I was not convinced of JRC’s case on the basis of the other comparisons put forward, it was unlikely that I would be persuaded by Chapter 7. In the event, therefore, the evidence contained in Mr McQuaker’s Chapter 7 was not pressed upon me and I propose to say no more about it except that, in so far as I understood it, I thought there was probably a good deal of substance in the criticisms which were made of this evidence by reason of its selectivity.

Third, in his reply, Mr Wilson based himself not so much on the framework which is to be found in the rest of Mr McQuaker’s reports, notably Chapters 4 and 6 of the second report, as upon a practical evaluation of the two programs in operation. In dealing with the Chemtec program I shall, as I have done in describing the BBC program, follow the scheme of Mr Wilson’s submissions rather than that of Mr McQuaker’s reports.

After these introductory observations I now attempt a description of the relevant features of the Chemtec program. In doing so I will, at points where this seems to be appropriate, summarise the main apparent points of similarity between the two programs. For ease of future reference I will number these consecutively.

(a) When the computer is switched on and the program begins to run the pharmacist is first prompted about the date. Unlike the BBC computer, most IBM computers have a calendar and a clock, so at this point there is displayed the date which, according to the computer, is the correct date. If the pharmacist finds that it is the correct date he simply presses the enter key. (On the BBC computer the same key was called the return key and I have so described it in relation to the BBC program. For present purposes the enter key on the IBM computer does the same as the return key on the BBC.) If the date is incorrect (for example because the computer was incorrectly set up or the internal battery has run down) the pharmacist is prompted to enter the correct date. This is done by keying in numbers between 1 and 31 for the day, between 1
and 12 for the month and between 1989 and 2088 for the year, the prompt and the figures entered being displayed in a vertical arrangement similar to that displayed by the BBC program. The pharmacist is then given the option to print a different date on his labels. If he requires a different date he is prompted to enter it in a manner similar to that used for the current date. If he wants the current date on his labels he presses the enter key.

The similarities which can be identified at this stage are:

1. the entry of the date by means of numbers for each of the day, month and year;
2. the vertical arrangement of the display of prompts and entries; and
3. the giving of the option to the pharmacist to have a date other than the current date on his labels.

(b) The pharmacist is then asked whether he wants to reset the daily figures. As with the BBC program, this relates to stock control. In the Chemtec program the pharmacist is told, by means of a message on the screen, when the daily figures were last reset. This may be a useful reminder in a case where the pharmacist has switched on the computer and reset the figures, then switched the computer off, perhaps after a session of labelling, and later on the same day, switches the computer on again. It has no counterpart in the BBC program, because the BBC computer had no means of knowing whether the second switching on was on the same day or a subsequent day. In connection with the reset of daily figures, the Chemtec program causes a prompt to be displayed recommending the pharmacist to reset. The BBC program contains no such recommendation. If the pharmacist decides to reset he presses the enter key (as with the BBC). A message is then displayed on the screen saying ‘processing drugs’. This has no equivalent in the BBC program.

When the computer has reset the quantities a message saying ‘Operation successful’ is displayed and the computer emits a double beep.

The similarities identified on at this stage are:

4. the option to reset daily figures; and
5. the message ‘Operation successful’ followed by the double beep.

(c) At the end of a month, which the IBM computer will identify automatically by means of its built-in calendar, the Chemtec program causes there to be displayed, immediately after the reset of daily figures has been dealt with, a prompt asking the pharmacist whether he wishes to reset the monthly figures. This is connected with stock keeping and I do not think I need to explain it further. It has no equivalent in the BBC program. If the pharmacist resets the monthly figures the prompt is not displayed again until the end of the next month. If he does not reset, the prompt is displayed again the next time the computer is switched on and again thereafter until the pharmacist does reset the monthly figures. The significance of this is connected with the step described in paragraph (e) below.
(d) After these operations have been carried out the Chemtec program goes to a routine connected with the entry of the patient’s name and other details. I need not explain this in any detail except to say that, at least potentially, it goes far beyond the mere entry of the patient’s name, which is all that the BBC program provided for at the last stage of labelling. The reason for this is that the Chemtec program includes patient records, something that the capacity of the IBM computer makes possible whereas the BBC computer did not. The patient records enable the name and address of each patient, together with other information about the patient such as the name of his doctor, to be kept on file within the computer. Most, or at any rate many, pharmacists dispense repeat prescriptions for regular patients and, with the Chemtec system, they can call up details of such patients from the computer’s memory at this stage of the procedure. In the case of a new patient the pharmacist is prompted to create a new patient record which is then kept in memory unless, when first setting up his computer with the Chemtec program, the pharmacist has elected not to keep patient records. In any case the name of the patient is carried forward to the labelling routine, which comes next.

(e) After he has dealt with the patient name the pharmacist has two options. He may press the ‘page down’ key, in which case he is taken to the labelling screen which I shall describe in a moment. Alternatively, when he wishes to record whether the prescription is a NHS or a private prescription, he may press the enter key, in which case the display is changed so as to offer him a choice of these entries, after which he is taken to the labelling screen without the need to press further keys. Where, however, the program has caused the pharmacist to be asked whether he wants to reset monthly figures (ie at the beginning of each month and daily thereafter until the pharmacist does reset) the pharmacist will be taken direct to the labelling screen without first going to patient entry. The explanation for this appears to be the way in which the Chemtec program is written in respect of its main menu options. This does not have an equivalent in the BBC program, but in most cases where the pharmacist is taken to the labelling screen in this way he will want to deal with patient entry before beginning the labelling routine. He does this by pressing the escape key, which is the same key that, in the BBC program, is used to switch between the main menu and the labelling program.

(f) In the Chemtec program, like the BBC program, the entries made by the pharmacist appear on screen within a label display. The display of an outline of the label on screen is not unique to the BBC and Chemtec programs, but on other programs which were demonstrated at trial the entries made by the pharmacist appear on screen outside the label outline as they are made and they are displayed within the label outline only when all entries are complete, immediately before printing. As I have mentioned, the BBC program displays the label outline only in a rudimentary form, with a line of hyphens at top and bottom and no lines at the sides. On the Chemtec program the superior
capacity of the IBM computer is used in order to show a complete rectangular outline marked by a continuous double line all round. As with the BBC program, the Chemtec label display is shown towards the top left hand corner of the screen. A further similarity is that a quantity prompt (using the complete word ‘Quantity’ instead of ‘QTY’ as on the BBC program) appears outside the label outline at its top right hand corner. There are, however, a number of differences. One is that, at the bottom left corner of the label outline the name of the patient, as entered at the previous stage, appears together with the date. On the BBC program only the date appears at this stage, the patient’s name being entered only as the last step in the labelling process. Another difference is that certain data is displayed outside and to the right of the label outline on the Chemtec program, whereas on the BBC program only the successive prompts appear in this part of the screen. A third difference is that on the Chemtec program various options are presented in the lower part of the screen by being displayed in boxes accompanied by a prompt indicating which key to press to select that option. The BBC program also provides options, but it does so by means of displayed text giving instructions as to the key which is to be pressed.

(g) As I have indicated, the first prompt which the pharmacist receives when the labelling screen is displayed is the ‘Quantity’ prompt at the top right hand corner. The pharmacist enters the quantity of the drug which he is dispensing and this appears within the label outline at the top right hand corner.

(h) When the quantity has been entered a new prompt, consisting of the word ‘DRUG’ appears, but it does so outside the screen at the top left corner, not at the top right corner as in the BBC program. The pharmacist then enters the name of the drug. Up to a point this is done in a manner similar to that used in the BBC program. The usual means of entry, where the pharmacist does not type in the full name himself, will be by means of a four-digit code, the pharmacist typing in the first three letters of the drug name in order to obtain a display of a list of drugs whose names begin with those letters and identification of the fourth digit which is to be entered in order to select a particular drug. As with the BBC program, the list to which access is given initially is a somewhat restricted list and the program allows the pharmacist to obtain secondary access to a full list. There are, however, some technical differences between the two systems. One is that on the BBC program the initial search requires the pharmacist to enter the first three letters of the drug name, but on the Chemtec program the pharmacist can obtain access to the list by other means. For example he will get a display of drug names if he types in only the first two letters of the name; and there are other methods of searching the list which I will not endeavour to explain but which are mentioned at s 2, p 11 of the Chemtec manual. There is also a difference in the way in which the two programs handle the situation where not all the drugs beginning with the three identified lathers can be displayed on screen at once.
(i) When the pharmacist has entered the drug name by one of the means which are available to him, the name appears on the screen within the label outline, together with the standard cautions which apply to that drug. These cautions are much the same as those which appear with the same drug in the BBC program, but it is not suggested that JRC has any copyright in their wording.

The similarities which I identify at the stages described in paragraphs (c)–(g) above can be summarised as follows:

(6) In the Chemtec program the escape key is used to switch from labelling to patient entry, in rather the same way as the same key is used in the BBC program to switch between the main menu and labelling screens.

(7) Within the labelling routine, both programs show on screen an outline of the label (rudimentary with the BBC but graphically accurate with Chemtec) and entries are displayed within the label outline as they are made by the pharmacist.

(8) With both systems the label outline is displayed on screen towards the top left hand corner.

(9) Subject to the fact that, in Chemtec, the patient’s name is entered first by means of the patient entry routine, both programs start labelling with quantity, which the pharmacist is prompted to enter by means of a prompt outside the top right hand corner of the label outline and which, when entered, is displayed at the top right hand corner of the label outline.

(10) On both systems the entry of the drug name comes next, for which purpose both systems use, as an alternative to typing in the full name, a search program which works by the entry of the first three letters of the name of the drug together with a fourth digit which can be identified from the initial display. On the BBC program search can be effected only by this means, but on the Chemtec program other search possibilities are available.

(11) Both systems use, in relation to the drug name, systems under which the initial search is in a restricted list of commonly prescribed drugs, but there is provision for ‘secondary access’ to the full list, which is not held within the live memory of the computer.

(j) After the drug name is entered the prompt moves down a line and changes to ‘DIR’ as with the BBC program, in order to prompt the pharmacist to enter the appropriate dose instructions or other directions, but with the Chemtec program the prompt appears on the left of the screen instead of on the right as with the BBC. On the Chemtec program, as on the BBC program, directions may be entered by means of dose codes which, used singly or in combination, cause full instructions to be displayed on the screen and later printed on the labels. I will deal with the similarities in the dose codes separately after I have described the operation of the rest of the Chemtec program.

A further similarity may now be listed namely:

(12) The order in which entries are made (Quantity, drug, directions and patient name in the case of the BBC; Patient name, quantity, drug and
directions in the case of Chemtec); I will deal with the entry of directions by using dose codes later.

(k) As with the BBC program, the pharmacist is given an opportunity to correct errors before he finishes the preparation of the label. The facility works in a similar manner to the line editor on the BBC program. The pharmacist uses the arrow keys to return to the line where the error occurred. That line is then highlighted, the text is obscured by the highlighting and, within the highlighting, the prompt ‘INSERT to edit’ appears. In the BBC program the equivalent prompt was ‘COPY to edit’ but the IBM computer does not ordinarily have a key marked ‘Copy’. The pharmacist can amend by typing over the erroneous entry or by pressing the ‘Insert’ key and editing the line, generally as described in paragraph (a) of my description of the BBC program. If the pharmacist presses the ‘Insert’ key and then tries to delete all or part of the original line without inserting anything new or typing a space then the same idiosyncratic consequence that I have noticed in paragraph (k) of my description of the BBC program will occur, that is to say that when the enter key is next pressed the original text will be restored.

Accordingly the next similarity to be noted is:

(13) The line editing features of both programs operate in a very similar manner.

(l) Having completed the label, which may consist of six lines of text in addition to the line on which the patient’s name appears (in the BBC program there was a potential for seven lines, including that containing the patient’s name entered as part of the labelling routine), the pharmacist presses the enter key. This causes a menu to be displayed which cannot be reproduced accurately in typescript but which lists the following options: Q = Quantity 1–6 = Lines 0 = Enter owing Restart item N = NP On + = One & Count – = One no Count S = Spare Labels.

The first four of these items appear in a box against which there is the legend ‘Amend Label’; the latter three items appear in a box against which there is the legend ‘Print Labels’. There is another box on the screen, on the right hand side, which contains three further options against which there is the legend ‘Pricing’. The items selected in the Chemtec program by pressing Q, 1–6, / and are substantially the same as the items selected in the BBC program by pressing the same keys. Hence there is a similarity to the extent that:

(14) four out of 11 options (or eight options if the pricing options are ignored) offered by the Chemtec program at this stage correspond with four out of eight options offered by the BBC program at the same stage.

(m) When the pharmacist has carried out any further amendments he requires, by pressing Q or a number between 1 and 6 in order to correct any remaining errors he causes the label to be printed by pressing the ‘+’ key. If he does amend at this stage the amendment routine, like the line editing facility, operates in substantially the same
way as with the BBC program. There is thus a further similarity, to be taken in conjunction with similarity (14), in that:

(15) the amendment routines applicable when the label has been completed are substantially the same.

There are three aspects of the Chemtec program which I find it convenient to describe separately from the summary which I have set out above, namely the stock control system, the dose codes and the main menu.

As to stock control, the Chemtec program offers two alternative systems between which the pharmacist must choose. These are described in the Chemtec Manual as the ‘Best Day’s Usage System’ and the ‘Stock Level System’ respectively. The Stock Level System is, in substance, that which I have already described as a conventional system. I need not go into it further. It has no equivalent in the BBC program. I need not describe the Best Day’s Usage System either. It is for all practical purposes the same as that offered by the BBC program, as Mr Flanders himself accepted. He was asked in cross-examination (day 10, p 134):

Would you agree, to save time, that from start to finish the stock control system in the BBC and in your system is doing the same thing?

His reply was:

Yes, on the UK2 without qualification and with the differences in positioning on the screen and with differences obviously in the code and the way the code is structured, but the method in which it operates, the way in which it operates, is essentially the same, apart from one or two minor bits which we have gone through.

Mr Flanders was asked a good deal more about stock control, but I do not think that any of the rest of his evidence on this topic qualified the effect of the answer which I have quoted. It is right to recognise at once, however, that both question and answer related to the function performed rather than to the means by which each program achieved that function. This is a matter to which I must return. I note, however, that beyond this similarity in function two particular resemblances exist. First, for the purpose of ascertaining the best day’s figure both programs use a period consisting of the current month and the preceding month. While some period has to be fixed by reference to which the best day’s figure is to be ascertained, there are other possibilities. Thus it seems that both JRC and Chemtec currently use a three-month period; and there might be a case for using a specific number of days in order to avoid the shortening of the period at the beginning of a new month or its lengthening as the month progresses. Secondly the Chemtec program, like the BBC program, makes provision for the best day’s figure (called minimum stock) to be printed on the label, although each has a facility to cancel this if the pharmacist prefers not to include on the label something which has no meaning to the customer and which he might prefer not to reveal to a competitor.

As to dose codes (an expression which I use to embrace also directions which may not strictly be dosages), both the BBC program and the Chemtec program are supplied to pharmacists with a substantial number of dose codes included, although, as I have mentioned, there is a facility for
the pharmacist to edit the list of codes, particularly by adding codes of his own devising. For purposes of comparison I take only the codes included in the program when supplied. Mr McQuaker compiled a table from which it appears that the total number of codes in the BBC program is 91 and in the Chemtec program 125; 84 of the Chemtec codes are identical, as regards both code and text, to the equivalent codes in the BBC program; a further two have one additional character in the code, while a further three have only minor differences in text. The proportion of ‘matches’ is much higher as between Chemtec and the BBC than it is between two rival programs which use a similar system and the BBC. The significance of the number of exact matches must not, however, be overstated. A considerable number of them relate to abbreviations in common use in the medical profession and likely to appear on the doctor’s prescription. Examples are ‘AC’ (ante cibum) for before food, ‘Q’ for four times a day and ‘MDU’ for as directed. Others, such as the use of ‘1’ for ‘one to be taken’ or other numbers for different quantities, are so obvious that there can be no significance in the fact that they are used in both programs. There is a further class which, while not so obvious are so straightforward that anyone seeing them once would be quite likely to adopt them again without troubling to invent alternatives and without, it seems to me, by that act alone infringing any copyright. There is, however, a yet further category which involves a higher degree of invention or choice such as ‘2S’ for ‘take two at first then’ or ‘DL’ for ‘one drop to be instilled’ or ‘HW’ for ‘in warm water’.

The approach which must be adopted to the collection of dose codes in each program is, in my view, that which is to be applied to compilations generally, where few or none of the component parts may be original so far as the compiler is concerned. I am satisfied that, although originality cannot be claimed for a good proportion of the codes supplied as part of the BBC program, the collection of codes as a whole is a compilation originally made by Mr Richardson personally as a result of the expenditure of time and effort and imagination.

I accept that, as he said, he spent a considerable amount of time in the early days when he was writing the Video Genie program in analysing the doses on the prescriptions which he dispensed in order to devise new codes. The collection may have been added to in the course of the development of the programs marketed by JRC, but in my judgment the compilation as supplied with the BBC program was the subject of copyright vested in JRC. The question which must then be considered is whether, looking at the compilation supplied with the BBC program and the compilation supplied with the Chemtec program side by side, there is sufficient similarity between them to justify the inference, in the absence of some other explanation, that the latter may have been copied from the former. In my judgment that question is to be answered in the affirmative.

As to the main menu, the Chemtec program, like the BBC program, provides for a number of functions to be performed besides the labelling routine which I have described in some detail. Access to the main menu is obtained from either the patient entry screen or the label entry screen by
pressing the ‘F2’ key. It may be necessary to press this key more than once, because the program goes to three different menus successively. The main menu offers some 18 functions, one more than the BBC program. Some of the functions are obviously of the same nature as functions in the BBC program. For example this is so in respect of the options which enable the pharmacist to view the lists of drugs and cautions. The similarity in general nature I ignore as being mere similarity in concept or idea, not similarity of expression. There is also similarity in the manner of selection between the various options, which is by pressing a key identified by a letter against each option. This too is, in my view, irrelevant for present purposes because it is a standard method of choice in computer programs.

The only remaining matter which appears to me to need to be noted is that in the Chemtec program, as in the BBC program, pressing the ‘Escape’ key takes the pharmacist from the main menu to the labelling screen. This is a somewhat unusual use of the ‘Escape’ key, which, by convention, is more usually employed to take the operator out of the routine on which he has entered and to restore him to that in which he was immediately previously. But it does not appear to me that similarity consisting of an unconventional use of a particular key is a relevant matter for consideration because the keys themselves are standard and their use cannot be the subject-matter of copyright. Moreover there is not complete identity between the two systems in their use of the ‘Escape’ key. In the BBC program this key is used to move from labelling to main menu and back again. In the Chemtec program it is used to move from main menu to labelling, but the reverse move is achieved by other means, namely the ‘F2’ key.

In the result I find no relevant similarity in a comparison of the main menu aspects of the two programs. Arising from the comparison of the stock control and dose code aspects, I now add two final items to the list of similarities namely:

(16) Both programs provide a ‘Best Day’s Use’ system of stock control (as the only system in the BBC program, as one of two alternatives in the Chemtec program) which, subject to technical differences in the codes, operate in essentially the same way and, in particular, use the same reference period for ascertaining the best day’s figures and the facility to print the best day’s figures on the label.

(17) Both programs include dose codes which, viewed as compilations, have a sufficient degree of similarity to justify an inference, in the absence of some other explanation, that one is a copy of the other.

There is, perhaps, some danger in listing the objective similarities in the way in which I have done, particularly because of the difficulty of isolating individual features in programs which are written in order to achieve an overall effect, not a piecemeal one. It is also impossible to be sure that the process has been exhaustive. Indeed I am certain that it has not. But I think that the similarities which I have listed are sufficiently important, in relation to each program as a whole, to constitute a basis for the further processes of evaluation which have to take place in order to determine whether the Chemtec program infringes the copyright in the BBC
program. These processes are first to consider whether the similarities are the result of copying or are to be attributed to some other cause, and second to consider whether any similarities attributable to copying amount to the reproduction of a substantial part of the BBC program.

In the hope that it will assist comprehension of this judgment to have in one place a list of the similarities which I have identified in the course of a somewhat lengthy comparison I set out the list in an Appendix to this judgment. In that Appendix I have used the same numbering and substantially the same wording as in the course of the narrative, but I have added, in the form of subheadings, a brief description of each similarity. In referring to particular similarities hereafter I propose to identify each by the number and the brief description set out in the Appendix.

8. Were the similarities the result of copying?

The material on which the answer to this question has to be based falls, it seems to me, into three categories, namely (1) the evidence about what Mr Flanders did in writing the Chemtec program; (2) inferences which can properly be drawn from the surrounding circumstances; and (3) inferences which can properly be drawn from the nature of the similarities themselves. I propose to consider categories (i) and (ii) and to indicate my general views on the basis of this evidence. I shall then take these general views into account in considering what inferences I draw from the similarities. This will necessitate a consideration of the similarities one by one, an exercise which will also be necessary when I consider whether any copying that has occurred was the copying of a substantial part of the BBC program. It will, I think, be convenient to carry out these two exercises side by side. I shall endeavour to do this in s 9 of my judgment.

(1) Evidence about what Mr Flanders did.

In paragraph 119 of his witness statement, which he confirmed in his oral evidence, Mr Flanders, when speaking of his meeting in March 1987, said:

Mr McLernon and Mr Phillips made it quite clear that they wanted a completely new product which would be different from, and better than, anything that had been in use in Ireland before. They were enthusiastic at my idea of writing a program for them at a set price and made it clear that they wished to be in control of their own destiny, rather than purchasing complete systems from Richardson, who would then naturally retain the copyright and have control over future development.

Mr Flanders’ account of how he went about writing what became the Pharm-Assist program, involving concentrated work over a substantial period of time with visits to Ireland at intervals of a month or six weeks to report progress and discuss new requirements, was much more indicative of the writing of a new program than the copying or adaptation of the BBC program.

Mr Flanders’ evidence in this respect was partly supported and partly qualified by that of Mr Phillips and Mr McLernon. Mr Phillips was, not surprisingly, pressed in cross-examination with the terms of a letter he had
written to Mr Richardson on 12 February 1987. In that letter Mr Phillips had said that he was convinced that ‘an IBM PC-compatible version of the system will undoubtedly make sound marketing sense’ and he went on to say that such a product:

will provide upgrade potential, ie a product which will be sold to existing Richardson/McLernon users. And it will provide for a revitalisation of marketing activity – in a sense a relaunch of an already proven product.

Mr Phillips was pressed to agree that his requirement did not change when he found that JRC was not willing to design such a system but that Mr Flanders would do so. I think that he broadly accepted this. He accepted also the suggestion put to him in cross examination by Mr Carr that:

what you wanted Mr Flanders to do for you was exactly what you wanted Mr Richardson to do for you, namely to produce a system for Ireland which took features of the BBC system with which existing BBC customers were already familiar, but adding improvements and enhancements that the IBM machine was capable of giving; day 14, p 34.

However looking at Mr Phillips’ evidence as a whole I do not find in it any suggestion that Mr Flanders was not given a free hand in writing the new program so long as it contained certain features; and by ‘features’ Mr Phillips meant, as he indicated in re-examination (day 14, p 69), somewhat generalised functions such as stock control, abbreviated dosages, automated pricing and ordering and what he described as ‘multi-wholesaler tele-ordering’. At the beginning of quite a long passage in the cross-examination of Mr McLernon by Mr Carr, extending from pp 118–28 of the transcript for day 14, the following exchange occurred:

Q. What you wanted Mr Richardson to do for you was to preserve features from his BBC system but add to those features enhancements and additions appropriate for an IBM and convert the lot into an IBM system, is that right?

A. No, what we wanted Mr Richardson to do was to step back and look at the situation as it was. As I explained, the BBC system evolved over a period of four or five years and there had been various different facilities ... bolted on here and bolted on there and there were various facilities that we needed that we could not have within the BBC. Really what the market needed was for us to step right back from it and say: ‘We are five years down the road now. There is more equipment that is available to us now that can do a lot more than the BBC can do. Let us design a system that will optimise the use of this new hardware and our knowledge of market requirements.’

Later in that same passage and elsewhere Mr McLernon accepted that he wanted to retain some of the features of the BBC program which would be familiar to pharmacists in Ireland to whom the BBC system had been sold, but it appears to me that he was speaking of general features in much the same sense in which Mr Phillips had used that expression and that he had
not asked Mr Flanders to copy the BBC program in any way. At p 121 of day 14 he said:

We had used the BBC system for several years, there were some facilities in it that were good. What we wanted to do was to sit down and respecify the thing from the beginning and improve where possible, and I think we did that.

Mrs Flanders was clearly fully aware of what Mr Flanders was doing while writing the Pharm-Assist and later the Chemtec programs, for he worked at home and she accompanied him on a number of his visits to Ireland. She was asked:

Were you a party to discussions where it was put that the intended project was to produce the existing features of the BBC and adding enhancements?

She replied:

It was not looked at in that way at all. It was a fresh ... I can remember when Tim actually sat down to write it he went ‘Fresh start, absolutely fantastic. I am going to do all the things I ever wanted to do’; there was no harping back at all on what had been.

As part of the evidence of what Mr Flanders did there is also to be taken into account the fact that, as I have already found, Mr Flanders returned to JRC at the end of July 1987 all the notes that he had concerning the BBC program and, although he physically retained possession of a BBC computer and ancillary hardware until the end of 1987, these were stored in a box in his garage and not set up for use. I accept, therefore, that during the period in which he was writing first the Pharm-Assist program and then the Chemtec program, Mr Flanders did not have access to the source code for the BBC program, nor did he run a copy of the BBC program. It is obvious, however, that Mr Flanders had a deep knowledge of the BBC program, some features of which were of his devising and the whole of which had been written by him first in machine code and later in assembler language. While he would probably not have carried in his memory substantial parts of the source code itself he would, I am sure, have remembered all the main routines of the BBC program, including most, if not all, the features I have referred to in describing the similarities between the two programs.

(2) Inferences to be drawn from the surrounding circumstances

Perhaps the most important surrounding circumstance is that relating to Mr Flanders’ knowledge of the BBC program which I have just mentioned. Apart from this, it was suggested on behalf of JRC that copying might be inferred from (a) the absence of any programming notes, flow charts or similar documentation concerning the writing of the Pharm-Assist and Chemtec programs; and (b) what was said to be a failure by Mr Flanders to take advantage of the superior capabilities of the IBM computer in a way that might have been expected if he was writing an entirely new and original program.

As to the first of these matters, there is no doubt that Mr Flanders did not write program designs, detailed programming notes or flow charts of the
kind that JRC claimed to be inevitably required for an original program. Mr Flanders’ explanation of this was that, although programmers who are formally trained are taught to proceed in a way which requires documents of this kind to be brought into existence, he himself has never worked in this way. His method is to work out an idea in his mind and then to type it direct into the computer, developing and perfecting it by trial and error. This explanation excited incredulity on the part of Mr McQuaker, the expert witness called on behalf of JRC. When it was first put forward, in interlocutory proceedings, Mr McQuaker commented (in paragraph 3 of his second affidavit sworn in March 1990) that:

in my opinion the procedure which [Mr Flanders] describes in relation to a program with the range of functions provided by the Richardson system and the Chemtec system would amount – if it were possible at all – to a work of genius.

Later in the same affidavit he said:

Even if Mr Flanders is capable of quite extraordinary feats of memory and unaided mental structural analysis and design, etc it is impossible to imagine how, without some source or model to draw upon, he could successfully compose a working program consisting of the many thousands of lines required for these systems.

In paragraph 8 of his second report, made in January 1992, Mr McQuaker referred to the first of the comments which I have just quoted and added:

At that time I had not seen any Chemtec source code. Now that I have, I would say categorically that the procedure is impossible.

Mr McQuaker based that view on the sheer bulk of the Chemtec source code and its structural complexity. In Chapter 2, paragraph 10 of his second report Mr McQuaker said:

If my conviction is correct that this program could not have been composed as an original work with no design or planning documents, and accepting Mr Flanders’ sworn statement that he never produced or had any such material, I cannot reach any other conclusion than that he must have had something in the nature of a pre-existing program to rely upon, although not necessarily one written in the same programming language or for the same computer hardware.

In Chapter 7, paragraph 15 of the same report Mr McQuaker, after making other observations, said:

The evidence I have examined leads me to conclude that by far the most probable, indeed the only credible, means by which the Chemtec program was created was as follows:

Stage 1 A ‘QuickBASIC’ adaptation of the Richardson Assembly program ... was created ...

Stage 2 (or 3) The technical changes necessary to make the adaptation work at all on a PC were made ...

Stage 3 (or 2) Cosmetic changes to exploit some of the features of the PC, some minor enhancements to the facilities etc [were made]. The
main example of this is the move of a new patient’s name entry to a separate screen from the remainder of the labelling process.

There was some evidence that the way in which Mr Flanders said that he had worked while writing the Pharm-Assist and Chemtec programs was the way in which he had worked while with JRC. Mr Worthington, who himself writes computer programs, said that in doing so he usually works ‘bottom up’, by which I understood him to mean that he worked by keying in ideas developed in his head rather than worked out in advance by means of systems analysis, algorithms, flow charts and design plans. He did, however, add that on complicated programs it is necessary to put some kind of structure to it before you start and he explained that:

I tend to go down a flow chart and then break it down and then start bottom up. (Day 3, pp 9–10.)

Dr Heys, the expert witness called on behalf of the defendants, commented in the following way on what he had been told about the way in which the BBC program had been written:

The program development was a little unconventional, but not particularly unusual, in that no detailed specification or algorithm was ever produced. However, many commercial programs have been produced in this way. (First report, Chapter 2.)

Generally the burden of Dr Heys’s evidence on this aspect of the case was that he saw no reason why the Chemtec program should not have been written by Mr Flanders in the way in which Mr Flanders said that he had written it, without reference to the BBC program.

Mr Flanders’ failure to use to the full the superior capabilities of the IBM computer is one of the factors relied upon by Mr McQuaker in support of his general conclusions. I do not propose to deal with all the points raised by Mr McQuaker. One of them, at least, (relating to the ‘load data’ option available from the main menu of the Chemtec program, as with the BBC program) was recognised by Mr McQuaker to be based on a misunderstanding. The most important of the supposed failures to exploit capabilities was the failure to use to the full the capacity of the hard disk available on the IBM. In my view this was explained convincingly on behalf of the defendants by evidence that when the Pharm-Assist program was written Mr Phillips and Mr McLernon did not wish to have a program which could only be used by a pharmacist who bought an IBM computer with a hard disk. In 1987 hard disks were not, as they have since become, virtually universal components of the IBM computer and their inclusion would involve a pharmacist in substantially greater expense. The Pharm-Assist program was, therefore, written on the assumption that a hard disk would not necessarily be available; and when the Chemtec program was written the same assumption was made. This may or may not have been a sensible assumption to make, but I am satisfied that it was made. Moreover it was clear from the evidence of Mr Phillips that one of his requirements for the Pharm-Assist program was that the entire United Drug stock list should be made available to the pharmacist through the program. Even with the superior capacity of an IBM computer with a hard
Copyright

disk a list of this size would take up a large proportion of the available memory of the computer and it was, in my judgment, a decision made on genuine technical and commercial grounds to use a system of secondary access to the drug list. I do not therefore regard the suggested failure to use the full capacity of the hard disk as indicative of copying.

(3) **Conclusions based upon (1) and (2)**

I accept the evidence of Mr Flanders in so far as it was to the effect that he had no deliberate intention to copy the BBC program, or any feature of it, when he wrote the Pharm-Assist program and later the Chemtec program. I consider that he set out to write a new program from scratch. I accept also that he wrote the new programs in the way in which he said he did, without access to a working version of the BBC program; without having available any copy of the BBC source code or any equivalent material; and without bringing into existence documents of the kind which Mr McQuaker expected to see. Mr McQuaker was undoubtedly a formidable witness who expressed his opinions with great force and held to them with determination. But I have to say that I am unconvinced by his assertions which I have quoted at some length above. In particular I do not accept Mr McQuaker’s account, in Chapter 7, paragraph 15, of his second report that ‘by far the most probable, indeed the only credible, means by which the Chemtec program was created’ was by a process which began, at stage 1, with the creation of a QuickBASIC adaptation of the BBC program. Nor do I consider that the ‘move of a new patient’s name entry to a separate screen from the remainder of the labelling process’ (which is how Mr McQuaker describes what is, in my judgment, a much more extensive differentiation between the BBC and Chemtec programs) is merely a cosmetic change to exploit some of the features of the PC.

In short, I do not accept the evidence I have discussed under heads (i) and (2) in this section of my judgment as establishing deliberate copying of the BBC program by Mr Flanders. But the fact remains that he had, as I have said, an intimate knowledge of the BBC program at all levels of abstraction (to use the term employed in *Nichols v Universal Pictures Corporation* and other US authorities that I have mentioned) and it is possible that he has, unconsciously or unintentionally or in some other way which he did not consider to be objectionable, made use of that knowledge in a way that amounts to copying in the context of breach of copyright. It is that possibility that I must evaluate in appraising the particular similarities that I have identified.

9. **Has there been copying of a substantial part of the BBC program?**

In this section of my judgment I shall, as I indicated earlier, consider not only the question of substantiality but also the inferences as to copying which ought to be drawn from the nature of the similarities which I have identified, taking into account the conclusions I have just stated. In relation to substantiality I think it will be right, after considering the similarities individually, to look back at the entirety of what, if anything, I find to have been copied and to consider whether that entirety represents a substantial part of the BBC program. I remind myself that, in accordance with what was said in the
William Hill case ([1964] 1 WLR 273), whether a part is substantial is to be decided by its quality rather than by its quantity and that where, as here, the complaint is that copyright in a compilation has been infringed, it is necessary to take into account such considerations as originality and the distinction between idea and expression in assessing the quality, and hence the substantiality, of any part which is said to have been copied. I also consider that the filtration process described in the Computer Associates case will be relevant in assessing substantiality, although I admit to having considerable difficulty in knowing how some aspects of that process are intended to work.

I now turn to the particular similarities which I have identified. As I said I would, I will identify these similarities by the numbers and subheadings used in the Appendix to this judgment, although the actual features which need to be considered in some cases go well beyond what is indicated by the subheadings.

(1) Date entry

I regard this as of no significance. The entry of a date in the manner adopted is perfectly usual and the fact that Chemtec causes the date to be entered in a similar (but, as regards year, not identical) manner to the BBC program cannot be regarded as indicative of copying.

Even if this were wrong and the explanation for the similarity in the date entry procedures is that Mr Flanders thought it wise to adhere to a procedure which would be familiar to users of the BBC program, I would not regard the date entry procedure as a substantial part of the BBC program for present purposes. This is because of its lack of originality, the very limited choice of available alternatives and the lack of evidence as to the deployment of skill and effort in devising this part of the BBC program.

(2) Vertical arrangement

This is of slightly greater significance, because it seems to me that there is no way of setting out an arrangement of prompts and entries of this kind which can be regarded as being in general use. I think it possible, but by no means certain, that the reason why the Chemtec program handles this feature in this way is because the BBC program did so and that the feature has thus been copied from the BBC program.

But even if there were a greater certainty as to copying of this feature, it would not, in my judgment, constitute the copying of a substantial part of the BBC program. My reasons for this view are much the same as those I have indicated in the case of Date Entry, save that it would be somewhat easier to say that the vertical arrangement is original.

(3) Date option

I think that this may well have been copied from the BBC program in the sense that it is likely that Mr Flanders’ awareness that it would be useful to give the pharmacist the option to have a date other than the current date on his labels came from his knowledge of the BBC program and that it was for this reason that he decided to include it in the Chemtec program.

It seems to me, however, that the giving of this option to the pharmacist is very much a matter of idea rather than expression. Once the idea of giving
the option has been adopted, there is really nothing of substance left in the expression of that idea. It would be strange if the method of entering the alternative date and the accompanying screen display were different from those relating to the current date. I do not regard any copying of this feature as the copying of a substantial part of the BBC program.

(4) Daily figures reset
I will deal with this when I come to other similarities in the field of stock control.

(5) Operation successful
There is such a high degree of similarity between this feature of the two systems that I have no real doubt that it is in the Chemtec program because it was in the BBC program. I accept Mr Flanders’ evidence that he regards it as sensible to give the pharmacist a visible and audible assurance that a process which he cannot observe has been carried out. It was therefore included in the Chemtec program because Mr Flanders thought it a good thing to include. But that does not prevent it being a reproduction of something in the BBC program if the facts give rise to the inference that it has been copied from the BBC program, as in my judgment they do.

I cannot, however, regard the reproduction of this feature in isolation as the copying of a substantial part of the BBC program. The message ‘Operation successful’, whether alone or in conjunction with the double beep, lacks originality and cannot have required any significant skill or effort to devise it.

(6) Escape key use
Although there are some similarities in the way in which the two programs use the escape key there are some differences as well. These differences arise from the fact that the Chemtec program embodies a patient record system whereas the BBC program does not. This is much more than a mere difference in the order in which entries are made. As I have indicated, I reject Mr McQuaker’s view that the patient entry screen in the Chemtec program is a mere cosmetic change. There was a faint suggestion that the patient record system used in the Chemtec program was derived from a similar system in the version of the BBC program which was developed for Ireland. If this was the case there might have been a greater similarity between the use of the escape key in the BBC Irish program and its use in the Chemtec program. However I heard very little evidence about the BBC Irish program and I am not in the least persuaded that this was so. I therefore reject any claim that there has been copying in the use made of the escape key.

Apart from this, it would, in my judgment, be quite wrong to treat the use of a particular key on a conventional computer keyboard as the subject of copyright protection, save possibly where that use is wholly idiosyncratic and it can be shown that the dedication of it to a particular purpose is the product of skill or effort. That is not the case here.

(7) Entry within label outline
I have no difficulty in accepting that the feature of the BBC program in which the entries made by the pharmacist appear on screen within an
outline of the label which the pharmacist wishes to prepare (described as the ‘form-filling approach’) was an original and commercially attractive feature of that program and its predecessors. I equally accept that the reason why Mr Flanders used a form-filling approach in the Chemtec program was because of its commercial attraction as proved in the BBC program. In that sense I am satisfied that Mr Flanders copied the BBC program. But if that be all it is, in my view, a copying of an idea, not expression, and it is not relevant for the purpose of considering whether a substantial part of the BBC program has been copied.

So far as expression is concerned there is no evidence of copying by Mr Flanders. Direct translation of the code of the BBC program is not suggested. Some similarity between the structures and organisation of the codes of the two programs was, I think, suggested in Chapter 7 of Mr McQuaker’s report, but as I have explained, this chapter has not been pressed on me and I would, I think, have had considerable reservations about accepting it if it had been. The label outlines have substantial differences as they appear on screen and I think that this is likely to be attributable to equally substantial differences in the respective codes. I have no doubt that Mr Flanders put a lot of time, skill and effort into the way in which the form-filling approach is used in the Chemtec program. He did not, in my opinion, in this respect draw more from the BBC program than the knowledge that it too used the form-filling approach. That I consider him entitled to have done.

(8) Position of label on screen

I am satisfied that there was no copying in this respect. I accept the evidence of Mr Flanders, in which he was supported by his wife, that he devoted a considerable amount of time to deciding, by means of trial and error, what was the best position on the screen for the label outline. In the end he chose a similar position to that used in the BBC program, but this was, in my judgment, the result of independent consideration and experimentation, not copying.

(9) Quantity first

There are, I think, two aspects of the apparent similarity between the two programs in this respect, namely the fact that the quantity is entered before the name of the drug and the fact that the quantity prompt appears outside the top right corner of the label outline and the quantity entered appears adjacent to it within the label outline.

The first of these is, in my judgment, of no significance. In reality there is only a choice between entering quantity immediately before or immediately after the drug name. It seems to me that there is a certain logic in entering it first. Mr Richardson said (in paragraph 28 of his witness statement) that:

"dispensary staff always read prescriptions with the quantity first. Mr Flanders said that McLernons and United Drug asked for it to be done in this order in the Pharm-Assist program. I am not surprised that Mr Flanders should have made this the first item for entry in the label. I regard him as entitled to have done so."
The display of prompt and entry at the top right hand corner is, in my view, of much greater significance, because it has the effect that the quantity appears within the label outline after, not before, the drug name. I regard the BBC program as somewhat idiosyncratic in this respect and the Chemtec program is likewise idiosyncratic. Mr Flanders’ explanation that it is possible in the Chemtec program to choose to have the quantity printed at the top left corner did not alter this. I think that the position of the prompt and the quantity figure as displayed in the Chemtec program are attributable to the fact that Mr Flanders thought it sensible to emulate the BBC program in this respect. There was thus, in my view, copying as regards this feature.

It is, however, more difficult to evaluate whether this is the copying of a substantial part of the BBC program. I am not satisfied that it is, at any rate standing by itself. The prompt and the figure have to appear somewhere on or adjacent to the label and the effective choices are between the top left and the top right corners. The original selection of position cannot, it appears to me, have required the expenditure of significant skill or effort. The skill and effort lies in the programming needed to give effect to the selection. Moreover on the evidence before me it is not possible to make a comparison between anything other than the screen displays in respect of this feature. For the reasons I have indicated in my general observations concerning screen displays, I do not think that this alone is indicative of a copying of the underlying program.

(10) Drug entry

As I have said, I am not satisfied that Mr Richardson was the originator of the system of drug entry used in the BBC program. The system was used elsewhere. In particular an instance of its use before the Video Genie program was marketed appears in an article in the *Pharmaceutical Journal* for 28 February 1981. Mr Flanders’ knowledge of the system may have come primarily from his experience with the BBC program while working for JRC and, by incorporating it in the Chemtec program, he may have copied at any rate the idea from that program. But in view of the lack of originality it would not, in my judgment, amount to the copying of a substantial part of the BBC program even if the Chemtec system was substantially the same as the BBC system. Beyond this, however, I think that the differences in search technique between the BBC and Chemtec programs are such that there must be a significant difference between the two programs and that there is probably no real similarity in matters of expression. I am not, therefore satisfied about any of the elements which JRC needs to establish in order to show that this similarity amounts to a breach of copyright.

(11) Secondary access

Although both the BBC and the Chemtec programs use a system of secondary access to the full drug data, I do not consider that the Chemtec program can be said to be a copy of the BBC program in this respect. The concept of secondary access to a floppy disk or external memory must surely be a standard device for dealing with a situation in which there is
limited internal memory to perform the required task. Moreover, as I have said, I find that there were good commercial reasons (the desire not to make a hard disk mandatory and United Drug’s desire to include its full list) for the use of secondary access in the Pharm-Assist program. I consider that this was a matter of independent decision by Mr Flanders, not copying. In my view the same holds good for the carrying over of secondary access from the Pharm-Assist program to the Chemtec program. Mr Flanders was copying his own Pharm-Assist program, not the BBC program, in this respect. The fact that at the time when he did so hard disks had become virtually universal on IBM computers makes no difference.

(12) Label entry sequence

In my judgment there has been no copying of this feature. There is a marked difference, which is not just cosmetic, between the two programs as to the stage at which the patient’s name is entered. I have already dealt with the fact that quantity is entered before the drug name, which I find attributable to causes other than copying. The only remaining similarity is that in each case directions come after, instead of preceding, the drug information. In my view this is a matter of a common sense choice being made between very restricted alternatives, not an example of copying.

(13) Line editor; and (15) Amendment routines

It is, I think, convenient to take these together because they perform similar functions, although the similarities between the two line editor features are, I think, somewhat more marked than those between the amendment routines. Having regard to these similarities and to the other matters I have mentioned concerning the origin of the line editor, I find it impossible not to conclude that the line editor in the Chemtec program has substantially been copied from the line editor in the BBC program. If all that had been copied was the concept of a line editor that would not have mattered for present purposes, being a mere adoption of an idea. But similarities such as the obscuration of the text which is to be amended, the message ‘Insert to edit’ in one case and ‘Copy to edit’ in the other and, above all, the idiosyncratic restoration of text which is merely deleted and not replaced demonstrate that there has been copying of expression as well as idea. I think that much the same goes for the amendment routines invoked at the end of labelling by pressing ‘Q’ to amend quantity and ‘1–7’ (‘1–6’ in the case of Chemtec) to amend other lines.

While I have no hesitation in saying that there has been copying of a relevant feature in these respects, I have felt slightly more doubt whether the line editor and amendment routines can be said to be substantial parts of the BBC program. They are, in a sense, tools rather than a substantive part of the labelling process. But I have reached the conclusion that it would be fallacious to make a distinction of this kind. In a program of this kind the provision of a means to correct the mistakes which will inevitably be made is almost as important as the provision of a means to make the original entries. This copying is, in my judgment, the copying of a substantial part of the BBC program.
(14) Pre-printing options

To some extent this similarity overlaps with the amendment routines which I have just considered, but here I am more concerned with form than with substance. In my view the use of ‘Q’ in order to amend quantity or ‘1–6’ in order to amend the lines so numbered would not, if it stopped there, be indicative of copying. But the use of these symbols together and in conjunction with the less obvious ‘/-’ for restart and ‘-’ for printing one label without counting it indicate that there has been some copying from the BBC program, which appears to be original in its use of its eight chosen symbols to select the various functions available immediately prior to printing.

However I do not regard any of these items, either individually or in combination with each other, as a substantial part of the BBC program. There was no evidence that it had taken much skill or effort to devise these symbols and I am not prepared to infer that it did. Moreover in the Chemtec program these symbols appear in conjunction with four others (or eight others if the pricing options are included) which have no matching symbols in the BBC program and the way in which they are displayed on screen in the Chemtec program is very different from the BBC program. While there are problems about relying on similarities or differences in screen displays which are not indicative of anything further, this part of the Chemtec screen display indicates to me that the Chemtec program must be very different from the BBC program at this stage. No doubt skill and effort were devoted to the writing of this part of the BBC program as they were to its other parts, but what has been taken is not, to my mind, the part of the program which is the real product of this skill and effort.

(15) Amendment routines

I have considered these in conjunction with the line editor.

(16) Best Day’s Use stock control; and (4) Daily figures reset

I have no real doubt that the reason why the Chemtec program offers a best day’s use method of stock control (albeit as one of two options, not as the only method as in the case of the BBC program) is because it was part of the BBC program. I am not satisfied, however, that the best day’s use method was originated by Mr Richardson. He certainly claimed that it was, but I thought his claims were exaggerated in a number of respects including this. Even if the method was devised by Mr Richardson it was, in my judgment, an idea rather than the expression of an idea; and the adoption of the method, if that is all that has been copied, in the Chemtec program would not be a breach of any copyright. In order to establish such a breach it is necessary to show that there has been a copying of something which is expression as distinct from the idea itself. Mr Wilson sought to rely on a number of matters in this respect.

First, both programs have a feature in which the pharmacist is asked whether or not he wants to reset daily figures. The concept of resetting daily figures is, it appears to me, part and parcel of the concept of a best day’s use stock control system. Unless figures are reset the quantity
prescribed in any period which is shorter than the whole period since the program began to be used will not be known, because the computer has to be told when to stop counting and begin again. With the BBC computer this could only be done manually because there was no built-in clock. With the IBM computer it would have been possible for the program to provide for an automatic reset without the intervention of the pharmacist. It was suggested that Mr Flanders’ failure to write such a feature into the Chemtec program is indicative of copying. I am not satisfied that this is so, because Mr Flanders gave various reasons for preferring a manual reset which seemed to me to be plausible and to indicate that he had made his own decision after thinking the matter out for himself. But even if this were not so, I do not think that copying of this feature of the BBC program would be copying of a relevant part for copyright purposes.

A second feature relied upon was the fact that both programs cause the minimum stock figure, ie the best day’s use figure, to be displayed on screen and (unless the pharmacist opts against it) printed on the labels. In my view this is less significant than it may seem. The whole stock control system depends on the ascertainment and use of the best day’s use figure. It cannot be used unless the pharmacist knows what it is. Display on screen is therefore inevitable. Moreover it was not disputed that some pharmacists label the container before going to their stock to fill the container with drugs obtained from a larger pack. For those pharmacists it is clearly convenient, if not essential, that they should have the minimum stock figure before them when they are handling the relevant item of stock, that is to say when they fill the already labelled container. If, as I consider, JRC cannot, by means of copyright, establish a monopoly in the use of the best day’s use system of stock control, it cannot by means of copyright establish a monopoly in something which has to be done in order that the system shall be usable. If displaying the minimum stock figure on screen or printing it on the label is expression rather than idea it is, in my view, the adoption of the only practicable means by which the idea can be expressed.

Third, reliance was placed on the fact that both programs use the same basis for calculating the best day’s use. The system inevitably requires to be told not only what period is to count as a day for this purpose but to be told from what period it is to select the best day. Both the BBC program and the Chemtec program adopt, as the latter period, the current month and the preceding month and, in relation to the best day, exclude from consideration the current day. I do not think it would be right to conclude that Mr Flanders did not work out for himself what was required – the concepts are fairly obvious. He said that to take account of the current day’s figures would take up significant space in memory. He may have exaggerated this, but I do not think it safe to conclude that he has copied merely because he has not done something different from the BBC program which another programmer might have chosen to do. The selection of the current month and the preceding month as the base period is more easily attributable to Mr Flanders’ recollection, which he must have retained, of the base period used in the BBC program. It may,
therefore have been copied. But, having regard to the amount of effort and skill involved in selecting this period in the first place, I do not think that, standing alone, it can be regarded as the copying of a substantial part of the BBC program.

The next point relied upon was that, in the Chemtec program, Mr Flanders has not made provision to guard against the sudden loss of data in live memory in the event of a power cut or equivalent interruption. With the BBC computer there was such a safeguard, although it may have been a fortuitous one, in that the C-MOS box had an internal power supply which would maintain data even in the event of the interruption of the mains supply. With the IBM computer an equivalent safeguard could have been provided by including in the program an instruction to the computer to save data at specific intervals. No such safeguard was provided. Dr Heys suggested that there were considerations which made an automatic save of this kind undesirable, but I was not much convinced by these. I accept that Mr Flanders has not included in his program a feature which is probably a desirable one. But where does this lead? By itself it establishes no particular element of copying. At best it offers slight support to a suggestion that Mr Flanders copied rather than work things out for himself. But that is in marked conflict with Mr Flanders’ own account of his approach, which in general I accept.

Mr Wilson sought to rely also on some features of the two systems in relation to the procedure for switching particular drugs from manual ordering to auto-order. It was common ground that, if the pharmacist desires to do this, he ought to do so when he sees that his stock is approaching the minimum stock level as indicated by the computer. Mr Wilson’s submission was to me complex and I may have misapprehended it, but it appeared to me to be based upon two characteristics. First, neither program causes the pharmacist to receive any warning that, at the time when he switches to auto-ordering, he should place a manual order for a new supply of the drug in question. The manual for the BBC program points this out, but that for the Chemtec program does not. Mr Wilson suggested that this shows that Mr Flanders did not really understand the best day’s use system and supported the view that he had copied it from the BBC program. I do not consider that it shows anything more than that there may be an omission from the Chemtec manual and that Mr Flanders has not included in the Chemtec program an idea (ie that a warning be given to the pharmacist) which might have been a useful one. Second, Mr Wilson relied upon the way in which the Chemtec program deals with the current prescription when the pharmacist switches to auto-ordering while labelling, as he may well do. As I understood it Mr Wilson suggested that this showed a similar lack of understanding of the system on the part of Mr Flanders. I do not feel able to draw any conclusion from it as to the extent of Mr Flanders’ understanding of the system. Generally it appeared to me that he had a complete mastery of it.

Looking at the stock control features of the two programs in the round, I accept, as Mr Flanders did, that they perform very much the same function. I accept also that they do it in the same way. Mr Flanders must
have obtained his knowledge of the best day’s use system from his experience with and knowledge of the BBC program. He has used the same system in the Chemtec program. Copying of the relevant code is not, however, established. As to structures and organisation, I am not satisfied that Mr Flanders has taken anything beyond the idea which underlies the system and certain characteristics which, so far as they constitute expression rather than idea, amount to characteristics which must be present if the idea is to be used. I am not satisfied that, in respect of the stock control system, including the daily reset feature, the Chemtec program reproduces any substantial part of the BBC program.

(17) Dose codes

As I have previously said, I am satisfied that the dose codes which form part of the BBC program constitute a compilation in which JRC has the copyright. Moreover the similarities which I have referred to are such that, in the absence of some other explanation, I would infer that the dose codes supplied with the Chemtec program have been copied from those in the BBC program. However an alternative explanation was offered on behalf of the defendants which is said to displace any such inference.

Mr and Mrs Flanders, supported as I recollect it by Mr McLernon, said in evidence that when the Pharm-Assist program was supplied to McLernons it was supplied without dose codes. These were put in by McLernons. I accept this. I accept also that, when the Chemtec program was almost ready for the market, copies of it were supplied for trial by two pharmacists. Both of these were using other computerised labelling systems. In the case of one of them it was a BBC system supplied by JRC. At the stage at which the programs were supplied for trial by these pharmacists it contained no dose codes. These were typed in subsequently by Mrs Flanders. She said, and I accept, that she did so mainly from lists of dose codes supplied by the two pharmacists who had had programs for trial, supplemented to some extent by a further list received from MacLernons which was received when the task of typing them in was almost complete.

As I accept that the dose codes supplied with the Chemtec program got into the program in the way that Mr and Mrs Flanders described, the possibility that there has been direct or deliberate copying of the BBC dose codes is excluded. That does not, however, provide a complete answer to JRC’s case. The lists from which Mrs Flanders worked may themselves have been copies, or based upon copies, of the BBC codes. In that event the Chemtec codes would be copies of the BBC codes if they contain sufficient material which can be seen to come from the BBC codes. In my judgment that is what has in fact happened here. I find that the dose codes supplied with the Chemtec program are copies of substantial parts of the codes which in turn form a substantial part of the BBC program.

Overview

The similarities which I have evaluated can, I think, be divided into four categories:
(a) Similarities which I find by themselves to be the result of copying a substantial part of the BBC program. These are (13) Line editor, (15) Amendment routines and (17) Dose codes.

(b) Similarities which are the result of copying, but which do not by themselves involve the copying of substantial parts of the BBC program. These are (3) Date option, (5) Operation successful, (9) Quantity first (in so far as it relates to the position of the quantity prompt and the figure entered), (14) Pre-printing options and (16) Best Day’s Use stock control, including (4) Daily figures reset.

(c) Similarities which may be the result of copying, although I am not satisfied as to this, but which, even if copied, do not by themselves involve the copying of substantial parts of the BBC program. These are (2) Vertical arrangement and (7) Entry within label outline.

(d) Similarities which are not the result of copying. These are (1) Date entry, (6) Escape key use, (8) Position of label on screen, (9) Quantity first (in so far as it relates to the entry of quantity before drug), (10) Drug entry, (11) Secondary access, and (12) Label entry sequence.

What I must now do is to look back at the position as a whole in order to consider first whether if the similarities in category (b) are looked at together they indicate copying of a substantial part of the BBC program to a greater extent than appears by taking only the similarities in category (a); and second, to carry out the equivalent exercise in respect of the similarities in category (c) in case I am wrong in the view I take about copying in respect of these similarities. Theoretically the same exercise could, I suppose, be carried out in relation to category (d), but on the facts I have found I do not regard it as realistic to attempt this.

I find the first exercise a difficult one. Mr Wilson sought to say that, as a result of a multitude of similarities, I could not escape the conclusion that not only was there copying but it was copying of a substantial part of the BBC program. In putting this forward he was, as I understood it, asking me to approach the BBC program as a compilation, which in a sense it is. A plagiarist can infringe the copyright in a compilation by copying items in which, viewed separately, the compiler has no copyright at all. The test is whether the plagiarist has taken so much of the compilation (ie the selection and arrangement of the component parts, or whatever else it is that gives rise to a copyright in the compilation) that it can be said that he has taken a substantial part of the product of the compiler’s work and skill. I find some difficulty in applying this to a computer program where the work and skill of the writer of the original program lies in the design of the component parts rather than in the selection of particular components to form part of a composite whole or their arrangement in any particular order. It may be easier to apply the principle in a case where it is possible to compare code with code at some level, but that has not been so in this case. Moreover I do not accept that what has been established amounts to a multitude of similarities, at any rate when quality as well as quantity is taken into account. Doing the best I can I have to say that I am not satisfied that, putting the similarities in category (b) together with each other and taking them alongside those in category (a), there is shown to be copying of any more
substantial part of the BBC program than is established by the similarities in category (a) alone.

I take the same view in relation to the category (c) similarities, in case I am wrong about these not being examples of copying.

I thus find that, subject to the estoppel point to which I come next, there has been some infringement of the copyright of JRC in the BBC program, although it is a fairly minor infringement in a few limited respects and certainly not the slavish copying which, in his initial report, Mr McQuaker claimed to find.

In *Ibcos Computers Ltd v Poole* [1994] FSR 275 – a case which, as you will see, was altogether clearer – Jacob J rejected the American cases, stressing a ‘home grown’ approach that takes account of the lack of an express exclusion from copyright facts.

**Background computer facts**

Computers only work in binary code, a code made up of 0s and 1s. So all data held in a computer or held on a computer storage device (such as a RAM, disk, or tape) must be so coded. Likewise computer programs – the instructions to the processor as to what to do with data – must be in binary form. A binary program code is called an ‘object code’ or, more graphically, ‘machine code’. Computers are given so-called ‘operating systems’. These are a kind of basic program concerned with essential computer functions. Popular operating systems are, for instance, MS-DOS and Unix. There are a number of others. These systems are themselves, when in the computer, in binary code. When an applications program (ie one which will be used for a particular application) is loaded into the computer it is loaded, as it were, on top of the operating system. The applications program speaks to the operating system which speaks to the computer.

Now binary form is practically impossible for a human to read or write. Humans write programs in a particular language called a higher level language. That language must have a perfect syntax and grammar. Computers are unforgiving; there is no room for irregular verbs with them.

Programming languages are a mixture of words of English and a system of a kind of algebraic instructions. There are many such languages. A popular language of some antiquity is COBOL. A variant of this usable only on Digital Computer Company’s (DEC’s) products is DIBOL and a later variant of DIBOL, usable on other companies’ machines is DBL.

The program the human writes is called the ‘source code’. After it is written it is processed by a program called a compiler into binary code. That is what the computer uses. All the words and algebraic symbols become binary numbers. Now when a human writes he often needs to make notes to remind himself of what he has done and to indicate where the important bits are. This is true of life generally and for programmers. So it is possible to insert messages in a source code. A reader who has access to it can then understand, or understand more readily, what is going on. Such notes, which form no part of the program so far as the computer is concerned, are called ‘comments’. They are a kind of side-note for humans. In the DIBOL and DBL programs with which I am
concerned, a line or part of a line of program which is preceded by a semicolon is taken by the compiler as a comment. That line is not translated by the compiler into machine code. The program would work without the comment. It follows that although computers are unforgiving as to spelling in their programs, they do not care about misspelt comments in the source code. If a line of operational code (a ‘command line’) is modified by putting a semicolon in front of it, it ceases to be operational. The computer treats the code as a mere comment. Computer programmers sometimes do this with a line which pre-exists when they no longer want that line, but are not sure they may not need it in the future. Or, if the programmer thinks he may want to add a feature to his program in the future he may put in a comment allowing for this. He is unlikely in the latter instance to put in detailed code only to comment it out. A general note will do.

Source code, being what humans can understand, is very important to anyone who wants to copy a program with modifications, for instance to upgrade it. It is the source code which shows the human how it all works, and he or she will also get the benefit of all the comments laid down by the original programmer. Software houses not surprisingly normally keep their source code to themselves and confidential.

The operating system known as MS-DOS has this feature: that when a file (whether of data or a program) is first stored in the computer, the date (according to the internal clock of the computer) is given. Such clocks are set by the user. Once they are set for a particular computer they stay accurate. If that file is ever accessed and re-stored, then the date of the re-storing is given. It is possible to transfer a program written for one higher language for one operating system to a program for another. So when one transfers a Unix-based program to MS-DOS for the first time, MS-DOS will record the date when this happened.

Programs in COBOL, DIBOL and DBL all have this further feature: that the program is divided into two main sections: the data division and the operating or ‘procedure’ division. The data division contains the kinds of data with which the operating division is expected to work. Each kind of data (eg here a part number) must be defined by some kind of word (not necessarily English) and its nature (decimal, or alphanumeric or a mixture) and potential length given. The names of the kinds of data are called ‘variables’. It is best to define the variables within the data division before writing the procedure division. The evidence is that programmers sometimes create variables which in the end they find they never use in the procedure division – redundant variables. Defining variables is part of the creative process.

In the operating division there are often so-called ‘labels’. A label is a name for a section of code. One needs labels for a variety of purposes: for instance one might have a command GOTO X, where X is the label. Then the computer when running the program will at this point go to the label X and start doing whatever X requires.

Within a program for editing programs just as within a word-processing program, it is possible to do a search and replace operation. One indicates a string of characters and its replacement. The computer will (depending on
what you want) either change all of the first string to the second at one go or will do it one by one, asking you in each case whether you want the change. This process is just the same as in a word-processing program, where, for instance, one can change every reference to ‘Jim’ to ‘Joe’. One must be careful about the change or a nonsense will be produced. Thus a global change of ‘Jim’ to ‘Joe’ would also turn ‘Jimmy’ to ‘Joemy’ unless you put in the space after ‘Jim’.

Most programs are complicated and have a history of growth. A typical applications program will in fact consist of a number of individual programs linked in various ways, accessing data held in the computer for various purposes. Sometimes there are little programs which are used by larger programs. Some of these are called ‘subroutines’, eg an instruction to print. Moreover most applications programs undergo a more or less continuous process of organic growth. Individual programs are updated, features are added or modified and so on. Large software houses issue new versions of their programs from time to time. Sometimes the upgrade is given a new number: lesser modifications tend to be given an old number with a new decimal place. A small house is likely to be less systematic in its numbering system, as was the case here.

This feature of continuous updating poses a problem in copyright law. When does an act of updating create a fresh copyright? I shall return to this, though the problem is not unique to computer programs. It applies, for instance, to directories such as telephone books or, I suppose, the Bar List. Adding more code is more complex, however, than adding to a mere compilation: one has to ensure that the addition not only works but does not interfere with the program.

It is also the case that different programmers, like different ordinary, literary authors, write in different ways – in different styles. Moreover they are apt to remember bits of code they use frequently and some keep various little bits of subroutine available for handy use, just as a lawyer might keep some handy clauses. This can produce difficulties when a particular programmer is accused of copying something he had written earlier. Did he copy or was he just writing in his usual style and using some familiar subroutines?

Finally, computers are very good at copying: they can copy from their own internal ‘hard disk’ to other memories, eg three-and-a-half inch disks, quickly. When they copy they are, unless the machine or disk is defective, completely accurate. So if a word in anything being copied is misspelled, the misspelling will be copied exactly.

Copyright in computer programs

Logically ... the claim in copyright calls to be tested in the following order:

1) What are the work or works in which the plaintiff claims copyright?

2) Is each such work ‘original’?

3) Was there copying from that work?

4) If there was copying, has a substantial part of that work been reproduced?

I have set forth the tests which are taken directly from the statute because not only is this what the law requires but because by doing this one can avoid
aphorisms such as ‘there is no copyright in an idea’ or ‘prima facie what is worth copying is worth protecting’. The courts have used these in the past but they can only serve as a guide. There are dangers in departing from the Act too far. For instance the latter aphorism, taken literally, would mean that all a plaintiff ever had to do was to prove copying. Originally, appropriate subject-matter for copyright and a taking of a substantial part would all be proved in one go. One would not need the Act if the aphorism represented the law. It proves too much.

I therefore propose to follow that order, so far as I can, on what are clearly very messy and partly inchoate facts.

The copyright works

The ADS ‘program’ is in fact a complicated composite of interrelated programs, routines and subroutines. Mr Turner gives the following figures: 335 program files, 171 record layout files and 46 screen layout files. Mr Howe submitted that not only each individual program has copyright (and perhaps several since each of these will have been modified and updated) but also the package as whole has a copyright – as a kind of compilation. The submission was that the program of all programs is an original program. This must be right. The Act specifically confers copyright on a compilation subject to its being original. The amount of skill, labour and judgment which went into the ADS package as a whole is very substantial, well above the threshold of originality accepted in other fields of copyright.

Accordingly in my judgment the copyright works include not only the individual programs but the whole package. Moreover in every case where a program was revised or modified enough for a fresh copyright to be created, that copyright is also a relevant work.

Originality

In connection with the whole package being a copyright compilation I should mention Total Information Processing v Daman [1992] FSR 171. It was not a full trial, the matter concerned unusually being dealt with as a preliminary issue in an interlocutory motion, with the result that there was no testing by cross-examination of the evidence. The preliminary point was:

whether there was an arguable case that the copying of the Field and Record specifications in a program called a Contract Costing Program is an infringement of copyright.

His Honour Judge Paul Baker made a number of observations which, taken out of context could be misleading. He said at 179:

The mere linking of several programs is not in my judgment itself an original literary or artistic work in the way that the collective presentation of literary works by diverse authors is. Nor could the compilation be regarded as a computer program separate from and in addition to the individual programs.

Whilst that may be right on the facts of that case it cannot be correct as a general statement. Indeed no counsel before me accepted it as accurate. There is no reason why a compilation of computer programs should not itself acquire
a separate copyright. Someone might, for instance, produce a selection of games on a disk. If there was enough originality in that selection it would surely be afforded copyright. The games might be wholly separated or they might have linking elements, eg common joystick control programs. In my view it is all a question of degree, just as it is in the case of any other compilation.

He went on to say:

To accord it copyright protection (that is to say the compilation) would lead to great inconvenience. It would mean that the copyright owners of one of the components could not interface with another similar program to that of the other components without the licence of the compiler.

No counsel supported this and I cannot agree. Of course the owner of the copyright in an individual program could interface his program with that of another. What he could not do is to put his program into an original compilation of another without that other’s licence. The same is true of any other copyright works, be they poems, songs or whatever. All that the copyright owner of an original compilation of programs gets is a right to stop another compilation which is substantially the same as, and copied from, his.

Floating around on the question of originality was another notion. It was sometimes suggested in a general sort of way that because a particular program had a function, and especially if that function could only be achieved in one or a limited number of ways, there could be no copyright in it. The extreme form of this idea is expressed by Judge Baker in the Total case. He said:

Second, stemming from the principle that copyright does not exist in ideas but in the expression of them is the line of authorities commencing with Kenrick v Lawrence (1990) 25 QBD 99 that if there is only one way of expressing an idea that way is not the subject of copyright.

That statement is in error in two ways. First, Kenrick (the case about a drawing of a hand showing voters which way to vote on a voting slip) did not decide that if there is only one way of expressing an idea no copyright can subsist in it. What was held was that there was no copyright infringement in taking the idea of using picture of a hand showing how to vote. Accordingly a different picture embodying the same idea was not a taking of a substantial part of the copyright work. In that sense only the principle that there is no copyright in an idea applied.

Second, there is, I think, danger in the proposition that, ‘If there is only one way of expressing an idea that way is not the subject of copyright’. As Lord Hailsham observed in L B Plastics v Swish [1979] RPC 551:

But of course as the late Professor Joad used to observe, it all depends on what you mean by ‘ideas’. What the respondents in fact copied from the appellants was no mere general idea.

It is of course true that copyright cannot protect any sort of general principle, such as the principle of drawing a hand to show how to vote, but it can protect a detailed literary or artistic expression. Thus in the case of an exhaust pipe it was said that the copyright was protecting the engineering principles which went into its design. Nevertheless there was copyright in the drawing, and the
copying of the drawing (via the medium of an exhaust pipe made from it) amounted to an infringement. This was so even though there was also a copying of the engineering principles that went into the original designs. Thus Oliver LJ said in *British Leyland v Armstrong* [1986] RPC 279 at 296:

> What the plaintiffs seek to protect is not the idea of an exhaust system, but their monopoly in the drawings of this particular exhaust system, the salient feature of which is the flow-line into which months of research have gone, and for the embodiment of which the drawings, taken together, form a complete set of working instructions.

The question in every case is no doubt, whether a given three-dimensional object ‘reproduces’ the substance of the two-dimensional drawing or drawings, but I can see nothing in the Act which justifies a distinction being drawn, so far as the ambit of ‘reproduction’ is concerned, between drawings which are purely functional and drawings which have some aesthetic appeal. I can find no context at all for giving the word some different and more extended or restricted meaning according to the intention of the author, or the emotional response of the beholder.

To my mind that passage is inconsistent with Judge Baker’s statement, which was not supported by any counsel before me. The true position is that where an ‘idea’ is sufficiently general, then even if an original work embodies it, the mere taking of that idea will not infringe. But if the ‘idea’ is detailed, then there may be infringement. It is a question of degree. The same applies whether the work is functional or not, and whether visual or literary. In the latter field the taking of a plot (ie the ‘idea’) of a novel or play can certainly infringe – if that plot is a substantial part of the copyright work. As Judge Learned Hand said (speaking of the distinction between ‘idea’ and ‘expression’) *Nichols v Universal Pictures* (1930) 45 F 2d 119 ‘Nobody has ever been able to fix that boundary, and nobody ever can’.

It should be noted that the aphorism ‘there is no copyright in an idea’ is likely to lead to confusion of thought. Sometimes it is applied to the question of subsistence of copyright (is there a ‘work’ and if there is, is it ‘original’?). Sometimes it is applied to the different question of infringement (has a substantial part been taken?) That is not to say that the expression has no use: for instance if all a defendant has done is to copy a general idea then it does not matter whether there is copyright in the plaintiff’s work, or whether the plaintiff owns that copyright.

In this context there was some appeal to US cases on copyright. The fact is that US copyright law is not the same as ours, particularly in the area of copyright works concerned with functionality and of compilations. The Americans (many would say sensibly) never developed copyright so that functional things like exhaust pipes could not be copied. This is partly due to their statute, which is different from our Act. The US Copyright Code itself sets the law against protecting function.

Moreover US case law has, ever since *Baker v Selden* (1879) 101 US 99; 25 L Ed 841, been extremely careful to keep copyright out of the functional field, either by saying there is no copyright in, or that copyright cannot be infringed by
taking, the functional. In Baker a design of ledger sheets which had a particular function was refused copyright. I doubt that would have happened here.

That is not to say that American case law on copyright is never of assistance. But I do not think it assists me in relation to subsistence of copyright. Ferris J in John Richardson Computers [1993] FSR 497 found the American approach of some assistance at the later stage of considering whether a substantial part of a program had been taken. To this I will return.

The consequence of regarding ADS as a whole as a copyright work is that it is right to consider what Mr Turner called the program structure as a whole and the design features as a whole as part of the work, in addition to the literal bits of code and the program structure within an individual program.

The individual programs within ADS are also each the subject of copyright for their creation was plainly the result of work, skill and judgment. But to say as much might not end matters so far as certain of the programs are concerned. In relation to those first created after Mr Poole became managing director of PK in 1982 there is no problem. They must, as is conceded, belong fully to PK. But there are programs within ADS which were written before then. Some extend back to Mr Poole’s Mark 3. Some were written for Mr Clayton during the period 1979–81. Moreover most of these were modified to a greater or lesser amount once the company started. In the latter connection I had some evidence from Mr Wright who joined PK in June 1984. He produced a schedule of programs which had been modified. This included modifications before he joined, which was, of course, hearsay. Mr Lambert at one time seemed to be going to take a point on this, and overnight Mr Wright had to produce an additional version of his schedule indicating the matter of which he had direct knowledge. That was a waste of time because Mr Lowe (who, it will be recalled, was willing to give both sides witness statements) joined the company much earlier and proved (by his witness statement) the schedule directly. In the end I heard no submissions on the schedule.

It makes sense to consider the contractual position as regards pre-1982 programs first. Determination of this will set the dividing line between programs which wholly belonged to PK (including any fresh copyrights raising out of modification) and programs whose copyright belongs to Mr Poole. I propose to consider the question as a matter of contract as between the parties. The formal requirements of the Act as regards title (particularly the requirement that certain assignments be in writing) have nothing to do with the \inter partes\ position. Indeed it was not submitted that they had.

As I have said, the defendants accept that any software writing that Mr Poole did whilst he was employed by PK belongs to them. The dispute relates to the software with which the company started. There are three possible candidates for what PK owned after Mr Poole left:

(1) the copyright in the software which Mr Poole wrote when he was managing director of the company and only that software;

(2) the copyright in item (1) plus the copyright in the software as modified especially for Mr Clayton in the period 1979–81, ie the software with which the company started;
Copyright

(3) the copyright in the entire software including the unmodified software

Mark 3 originally sold by way of licence to Mr Clayton in 1979.

Logically one must consider first the position before the agreement and
second, the effect of the agreement, particularly clause 6.

So what was the position when the company started operation? Prior to then
Mr Poole and Mr Clayton were in an informal partnership. There was (and to
my mind this is important) no version of the Mark 3 program as it existed back
in 1979. All there was was a large disk (we are back in the days before
convenient floppies) about the size of a cake which could be loaded into and
out of Mr Clayton’s computer. Any alterations of the 1979 program involved
overwriting it so that one could not as a practical matter distinguish between
the 1979 work and the modified and added-to form.

Who owned the copyright in the modified form? In my view it was the
partnership. Mr Lambert submitted otherwise on the authority of Miles v Clarke
[1953] 1 WLR 537. In that case there had been an informal partnership of
photographers. The partnership had used premises, furniture and equipment
originally belonging to one partner. When the partnership broke up it was
contended that the lease and plant had been contributed to the partnership
‘pot’. Harman J held otherwise, saying at p 540:

In my judgment no more agreement between the parties should be
inferred than is absolutely necessary to give business efficacy to that which
has happened and that is the only safe way to proceed.

The difficulty in Mr Lambert’s way is twofold: first the program as it then
stood was the very foundation of the venture. Moreover even though he had
not contributed to it by way of programming, Mr Clayton contributed to it in
other ways – by considerable discussion as to what the program should do and
by some payment. Mr Lambert suggested that he was doing that so only for
his own benefit. I do not so hold on the evidence. He was for some time with
Mr Poole intending that the developments should result in a vendible product.
No doubt he also got a benefit in his own business but the parties’ intention at
the time was a twofold benefit. I think it was indeed ‘absolutely necessary’ that
the company should own the copyright in the program as it necessary was in
1982. If the position were otherwise once the program was established
commercially Mr Poole could have left the company and sold the same
product on his own account. Or if there was a third party pirate, it would not
be the company’s right to sue for infringement and claim damages. Neither of
these would make any commercial sense.

More difficult is the position as regards the copyright in the 1979 Mark 3
program. The problem is that the parties never considered this at all. Indeed
they probably did not know there was a separate copyright or copyrights in
that. To my mind the answer to this question is to be found in how Mr Poole
had treated the physical embodiment of that program. He had not sought to
retain this program separately. He may have happened to have some listings
from then (a matter which on the evidence remained murky both in relation to
the position in late 1981 and early 1982 but also later when Mr Poole was
writing Unicorn). If the intention had been to keep the 1979 programs separate
in copyright terms then the same would have been done physically. So in the
end I hold that the copyright in the 1979 programs also came to the company. There is some slight corroboration for this in that when the company tried to sell ADS for a different field of use altogether (laboratory equipment) it felt entirely free to do so and Mr Poole did not suggest that his original copyrights were being used in a way which had not been contemplated when the venture was set up.

Even if the foregoing be wrong, I have no doubt that clause 6 of the 1986 agreement settled the position as between the parties. That is what it was intended to do. ‘D B Poole recognises that all PK software [is] the sole property of PK’ means all copyrights in that software are PK’s.

Mr Lambert suggested that the clause merely recognises the legal position that the material written whilst an employee belongs to the employer. He put forward a fanciful submission to the effect that at the date there was some uncertainty in law as to works written by a managing director and the clause was dealing with that. But it is manifest that neither of these parties had ever even heard of any such uncertainty. They cannot have been trying to deal with something they knew nothing about.

Mr Lambert also placed some reliance on the word ‘recognise’ which he said was not a word of conveyance. I do not think that clause 6 has that limited effect. I think the clause was intended to ensure that all the rights in the TK software were indeed PK’s. This makes sense. Both parties knew that Mr Poole was leaving to write a different program for Highland. The 1979 software had become inextricably mixed in with PK’s and was in any event very old – to the point that if ever Mr Poole was to write new accounting software he would not need or want to refer to the old material.

This meaning does not have the effect that Mr Poole could not write new accounting software or that he could not make use of his undoubted skills and general memory of subroutines and the like. That he can do (contrary to what he appeared to think in the witness box). All it means is that he (like anyone else) may not copy the PK software exactly or substantially.

There is a further reason for this construction. For if Mr Poole retained some copyrights embodied within ADS (particularly the 1979 copyrights) then, as I have said above, it would be necessary to imply a licence to use those copyright works. The court will not, unless there is no other reasonable construction, construe a clause in such a way that it then has to go on to imply a term to make sense of the contract as a whole.

Mr Howe reinforced his argument on construction by reference to the so-called doctrine of ‘estoppel by recital’. He referred me to *Greer v Kettle* [1938] AC 156 in which Lord Maugham (with whom Lords Atkin and Roche agreed) approved what Patteson J said in *Stroughill v Buck* (1850) 14 QB 781, namely:

> When a recital is intended to be a statement which all the parties to the deed have mutually agreed to admit as true it is an estoppel upon all. But when it is intended to be the statement of one party only, the estoppel is confined to that party, and the intention is to be gathered from construing the instrument.

Mr Howe said that this case is even stronger than a mere recital. It is in fact a contractual statement of the position as between the parties in the operative
part of the contract itself. I agree. Mr Poole cannot now contend that PK
software is not that of the company.

Accordingly I hold that the whole of the PK ADS program and the individual
copyrights within it belong to PK.

The programs contributed by Mr White

But what about the two programs originally written by Mr White? Clearly the
legal ownership of these remains in Mr White and he clearly gave an
irrevocable licence to PK to use them and if necessary to modify them. What
happened to them is that they were indeed modified by Mr Poole when they
were received. On the evidence it is likely that the modifications were more
than trivial: Mr White said so in general terms, though it is not possible to
know precisely what the modifications were. The programs had to be
integrated into the package as a whole. So it is likely that the programs, as they
are in ADS, have two copyrights: the copyright in the original White program
and the copyright in the Poole edition of those programs. The latter belong to
PK.

Copyright in source code

It was the plaintiffs’ case that the defendants had infringed copyright in their
source code. This inherently raises the question of whether there is copyright
in source code. The defendants did not dispute this, rightly so in my view. I
mention the point only because of another passage in the judgment in Total
(footnote omitted).

Considerable steps are frequently taken to preserve confidentiality of the
source code. This suggests a doubt that taken by itself it is the subject of
copyright.

I do not understand this observation. Again no counsel supported it. Because
people keep confidential material which would be of considerable use to
pirates is no reason for saying that copyright does not protect it. If you do not
want your property stolen it is better to hide it away than give thieves easy
access to it. Historically the very foundations of copyright in part lie in the law
of confidence. I unhesitatingly say that source code can be the subject of
copyright. Whether it is or not depends upon the normal requirement of
originality.

Was there copying?

For infringement there must be copying. Whether there was or not is a
question of fact. To prove copying the plaintiff can normally do no more than
point to bits of his work and the defendant’s work which are the same and
prove an opportunity of access to his work. If the resemblance is sufficiently
great then the court will draw an inference of copying. It may then be possible
for the defendant to rebut the inference – to explain the similarities in some
other way. For instance he may be able to show both parties derived the
similar bits from some third party or material in the public domain. Or he may
be able to show that the similarity arises out of a functional necessity – that
anyone doing this particular job would be likely to come up with similar bits.
So much is common ground between the parties. The concept of sufficient
similarities shifting the onus onto the defendant to prove non-copying is well
recognised in copyright law. Thus Lord Wilberforce in *L B Plastics v Swish* asked whether the inference of copying:

> could be displaced by evidence from the respondents showing how in fact they had arrived at their design and that they had not done so by copying?

Actually I think the proposition is not so much one of law as one of plain rational thought.

It should be noted that at this stage (namely ‘Was there copying?’) both the important and the unimportant bits of the works being compared count. Indeed it is often identity of trivial matter which traps a copyist. As Hoffmann J observed in *Billhöfer Maschinenfabrik GmbH v Dixon & Co Ltd* [1990] FSR 105 at 123.

> It is the resemblance in *inessentials*, the small, redundant, even mistaken elements of the copyright work which carry the greatest weight. This is because they are least likely to have been the result of independent design.

What then is the position here? Is there an inference of copying? I have no doubt that there is. It is overwhelming. There are bits of ADS in Unicorn which cannot really be explained in any other way. It would be burdensome in this judgment to set out all the similarities which raise the inference. They were all well identified in Mr Turner’s report for the plaintiffs before the trial began. I find it surprising that the defendant’s experts did not seem to have addressed or faced up to these resemblances. Only at moments in the witness box did Mr Kenny (the better of the defendants’ experts) seem to recognise that there were real difficulties in the way of a case of independent design.

I must set out some of the key items.

(A) Common spelling mistakes

Computer programs are inherently less tolerant of spelling mistakes than ordinary literary works. Normally only in comments can they appear without affecting the working of the program. And comments are apt to be short and limited in number, so there is limited material in which misspellings can occur. However in both ADS and Unicorn there are significant spelling mistakes in the comments. The words of particular interest are, ‘Alpfa’, ‘PIONT’, ‘Didgit’, ‘NUMREIC’, ‘detatched’, ‘Channal’ and ‘Shedule’. I set out the words as they are used, namely where capitals are used and where lower case is used. These words appear in identical comments in both programs. To be more precise they appear in different programs within each suite of programs. Moreover each of those words is correctly spelt in a number of different places in other parts of each program, as Mr Howe’s search program was able to reveal with ease.

I am quite incapable of believing that this is all due to coincidence or due to the fact that Mr Poole has difficulty in spelling (which seems to be the case). If the latter was the explanation then why are the words spelt correctly many times in other places? And why are the errors always in the same place? It will be recalled that if there is disk-to-disk copying then this kind of thing will be copied accurately. Only disk-to-disk copying from ADS can explain the identity of these misspelled words.
Then there are the identical comment headings. A document called X 11 conveniently shows a series of headings in comments which are the same in an important program of ADS (SKPER, for manufacturers’ prices of spare parts) and the corresponding program in Unicorn (PAMUPP). For instance the word FORD is presented in a comment in both programs with 23 hyphens to the left and 30 to the right. Likewise the words INTERNATIONAL HARVESTER are presented with 21 hyphens to the left and 13 to the right. An explanation for this was suggested by counsel for Mr Poole in his re-examination. The idea was that a line of 60 hyphens was copied into a fresh line and then the name of the part manufacturer was typed over some of the hyphens. Mr Poole seemed keen to accept this explanation. It will not wash. First that does not explain the identical positioning of the manufacturers’ names (no less than six in identical not quite alphabetical order). Second, the last two manufacturers have a missing hyphen at the end in both sets of programs which cannot be explained by sticking down 60 hyphens and overtyping. Third, Mr Poole’s evidence was that he added the manufacturers to Unicorn as and when he needed. However at the time when the plaintiffs obtained a copy of Unicorn pursuant to the 1989 delivery-up order he had not got customers who were dealers with some of the manufacturers to be found in PAMUPP.

I was also unhappy about his explanation of how he got any of the information as to manufacturers’ price tape formats. It seemed to me that after the event a story was being concocted.

It is not only in this pair of programs where there are headings that are the same. For example in one place in another ADS program there is a heading, ‘**DEFFERED ENTRY**’ which occurs also in the Unicorn program. Here it not so much the misspelling which matters (for it seems Mr Poole regularly misspells ‘defer’) as the surrounding **s. This is atypical of the headings in either program.

(C) The presence of the program FRMAT.DBL

This program is part of ADS. It was found in the Unicorn source code. It is not used by Unicorn but in a number of places there is reference to it in the Unicorn source code in some detail but commented out. The explanation offered for the presence of FRMAT.DBL was that it may have been accidentally copied when customers’ data files were being transferred. This could only have happened after the first customer for Unicorn had been obtained in 1988. However the FRMAT.DBL file is dated 8 September 1987. The true explanation is almost certainly that it was copied when Mr Poole was transferring some Unicorn files from his Fortune UNIX machine to his Tandon MS-DOS machine in 1987. As I have indicated MS-DOS dates a file according to the computer’s internal date when a file is first created. Other Unicorn files are dated the same date.

Moreover the explanation offered by Mr Poole, that commented out references to this program were simply references for potential use of a format program in the future, is inherently improbable. If one is laying
down a reference for the future one does not lay down a detailed piece of program code as is laid down here. I think Mr Poole had FRMAT.DBL on his own computer, was originally planning to use it but decided that it was not necessary because manufacturers had put their part numbers in a more computer-friendly method.

(D) NAREC.REC (ADS) and NAFREC.REC

These are file records and form Mr Turner’s example 48. The ADS names in this record all commence AS ... In Unicorn all the names commence NA ... Every single name in the ADS file record corresponds to that in the Unicorn save that the first two letters AS had been changed to NA. Unicorn has some additional fields not in ADS. What the plaintiffs suggest happened was that the specifications set out in Unicorn were arrived at by Mr Poole copying the ADS version and simply changing AS to NA. So for instance ADS uses ASID for ‘asset identification no/description’. Unicorn uses NAID for the same thing. Mr Poole suggested this was all the result of natural terminology, for instance using ID for an identification. But the explanation does not account for the last item in this set of specifications. In ADS it is ASTARE which is used for a spare. In Unicorn the word is NAPARE which bears no resemblance to its purpose. The plaintiffs’ explanation is much more likely.

(E) Redundant and unexplained code in both programs

It is not only comments, labels and names which are involved in identity. There are bits of ADS and Unicorn in the program code which were also identical. These too would be copied by disk-to-disk copying. It would technically not matter if they were redundant codes or if they had a purpose in ADS and were redundant in Unicorn. But their presence would betray copying. The difficulty from Mr Poole’s point of view is that those portions of code are in Unicorn at all. For if he was genuinely writing it from scratch one would not expect redundant code at all. That is the sort of thing that arises when a program is first written and then modified as time goes on. One would certainly not at all expect identical pieces of redundant code in Unicorn and ADS or bits of redundant code in Unicorn which had a function in ADS. Yet that is what we find here.

(F) Other matter

One could go on with this list of detailed similarities. For instance there are ‘ported printer’ tests in Unicorn. In ADS a printer number 9 was used to indicate that the printer was ported to the back of the VDU. Unicorn uses a printer number greater than 100 generally but at various points there are still references to the old ADS test. Again the word OUST is used as a variable name twice for two different purposes which are exactly the same in both programs. There is a very odd ZERO D8 00000000 variable definition in both programs. No explanation was provided for this. If one puts no zeros at all the computer will automatically set the variable to zero initially. So the setting of eight 0s is otiose. Nowhere else is that which is naturally set to zero set to zero with unnecessary 0s. Why here? Mr Poole’s explanation. that a balance sheet should balance, was unintelligible.
The upshot of all this is that the similarities between the two programs can only have resulted from disk-to-disk copying. The statistical chance of these resemblances occurring twice in the two programs must be infinitesimal. I say this bearing well in mind that many many lines in the two suites of programs are not the same. I am not prepared to accept that there was it fluke upon a fluke upon a fluke to the nth power. Nor can I understand why the defendants’ experts did not see these details as overwhelming *indicia* of copying. They seem not to have focused on this aspect of the case at all.

I received a submission that Mr Poole may have had some sort of memory of how he came to write all this and that he was merely going through the same motions. I reject that as wholly fantastic. Mr Kelman also advanced what he called a ‘baseline’ argument. It went like this: any author has got a ‘style’. He will use particular words and phrases in a characteristic way. So in this case what ought to have been done is to obtain samples of programs written by Mr Poole manifestly independently, find out the levels of similarity there, and then consider whether there was a greater degree of similarity between the ADS and Unicorn programs. Since that was not done, the argument ran on to conclude, one could not say that the similarities here were the result of copying as opposed to an exercise in the same style. There might be something in this kind of argument in principle. But it could not begin to explain the kinds of identities I have set out above.

There was also a defence of ‘toolkit’ or ‘shareware’. It was suggested that some similarities arose because there were small program routines which had got into free circulation when Supaflo ceased in business or when North Yorkshire ceased to trade. I had some evidence of a similar routine which had indeed got into circulation this way. But it was not the same and in any event this could not account for the exact identities of immaterial detail to which I have referred.

As I have said I was surprised that the defendants’ experts did not consider this in detail in their experts’ reports. When the evidence had concluded Mr Kelman sought leave to serve a contribution notice on Mr Poole. At the end of all the submissions Mr Kelman said that his clients may well have taken a different attitude to continuing with Unicorn if these details had been pointed out to them. By both of those times the telltale identities had been discussed in evidence. Mr Kelman suggested that Mr Turner’s initial report (of 31 October 1989) was not adequate to do this. It manifestly was. In any event Highland had their own access at this time to both sets of source code. I think it a great pity that neither of the defendants’ experts considered two independent questions: are there *indicia* of copying and, if so, has a substantial part been copied? In any copyright infringement case it is elementary as a first stage to compare the two works with a critical eye for inexplicably similar detail. Spelling mistakes and idiosyncrasies are often the sign of copying. They are, in my judgment, here.

My conclusion that there was disk-to-disk copying has serious consequences so far as Mr Poole’s evidence is concerned. It is seldom easy for a judge to assess merely by demeanour whether a witness is telling the truth, though Mr Poole was certainly uncomfortable at times. That is why documents and
inherent probabilities can be of such assistance. Here I rest my opinion in relation to Mr Poole’s evidence on the objective facts of inexplicable (save for copying) similarities between the programs.

‘Substantial part’: general considerations

There is a danger in jumping from a conclusion that there was copying to a conclusion that a substantial part of a work has been taken. It is all too easy to say that a defendant who has lied about copying must have taken a lot. Of course it is likely in most cases that this is so. But the court must always go on to look at the further question of whether a substantial part was copied. In relation to conventional kinds of work, this it can do reasonably readily. Even in the case of technical drawings it is possible to examine the parties’ drawings to see whether a substantial part of the plaintiff’s work is to be found in the defendant’s. A good example of the right way to go about the problem is the Billhöfer case. Even though there was copying (betrayed by the inessential details) there was no taking of sufficient visual features of the copyright drawing. In a computer program case, however, the court cannot so readily assess the question of substantial part unaided by expert evidence. I believe I should therefore be largely guided by such evidence. Before turning to this I should mention some other considerations.

The problem may be bedevilled by the ‘no copyright in an idea’ argument along the lines of the US Code, § 102 (b). As I have indicated this has no relevance in UK law once one goes beyond a mere general idea. As I have said, Ferris J in John Richardson obtained some assistance from the American cases. An important US case is Computer Associates v Altai. (1992) 982 F 2d 693 (2nd Cir) Ferris J said, John Richardson, above, at 526:

In the test propounded in Computer Associates the discovery of a program’s abstraction is the first step. The second step is to filter these abstractions in order to discover a ‘core of protectable material’. In the process of filtration there are to be excluded from consideration: (a) elements dictated by efficiency; (b) elements dictated by external factors; and (c) elements taken from the public domain.

Later he said:

There is nothing in any English case which conflicts with the general approach adopted in the Computer Associates case. I think that in preference to seeking the ‘core of protectable expression’ in the plaintiff’s program an English court will first decide whether the plaintiff’s program as a whole is entitled to copyright and then decide whether any similarity attributable to copying which is to be found in the defendant’s program amounts to the copying of a substantial part of the plaintiff’s program. This was the approach which was held to be correct in the William Hill case.

I would interpolate that it is the approach called for by our statute. Going on:

But at the stage at which the substantiality of any copying falls to be assessed in an English case the question which has to be answered, in relation to the originality of the plaintiff’s program and the separation of an idea from its expression, is essentially the same question as the US court was addressing in Computer Associates. In my judgment it would be right to adopt a similar approach in England.
For myself I do not find the route of going via US case law particularly helpful. As I have said, UK copyright cannot prevent the copying of a mere general idea but can protect the copying of a detailed ‘idea’. It is a question of degree where a good guide is the notion of overborrowing of the skill, labour and judgment which went into the copyright work. Going via the complication of the concept of a ‘core of protectable expression’ merely complicates the matter so far as our law is concerned. It is likely to lead to overcitation of US authority based on a statute different from ours. In the end the matter must be left to the value judgment of the court. Having expressed this reservation however, I thoroughly agree with what Ferris J went on to say: ‘Consideration is not restricted to the text of the code ...’ That must be right: most literary copyright works involve both literal matter (the exact words of a novel or computer program) and varying levels of abstraction (plot, more or less detailed of a novel, general structure of a computer program).

I therefore think it right to have regard in this case not only to what Mr Turner called ‘literal similarities’ but also to what he called ‘program structure’ and ‘design features’.

Some of the similarities relate to the data divisions of the programs. In Total Judge Baker said (speaking of the data division):

The part copied can be likened to a table of contents. It would be very unusual that that part of a book could be described as a substantial part of it. The specification in high level language of fields and records in the data division tells one little or nothing about the costing program and so, in my judgment, cannot be regarded as a substantial part of it within the meaning of s 16(3).

I do not agree that it would be ‘very unusual’ that a table of contents would be a substantial part of a book. It is all a question of degree. Very often the working out of a reasonably detailed arrangement of topics, subtopics and sub-subtopics is the key to a successful work of non-fiction. I see no reason why the taking of that could not amount to an infringement. Likewise there may well be a considerable degree of skill involved in setting up the data division of a program. In practice this is done with the operating division in mind and its construction may well involve enough skill, labour and, I add, judgment, for it to be considered a substantial part of the program as a whole.

Before turning to Mr Turner’s views I have to add one further matter. I have concluded that there was disk-to-disk copying. This happened in relation to a substantial range of ADS programs. This shifts the onus to the defendants to prove non-copying of matter which is similar in ADS and Unicorn. And I have real difficulties in relation to those parts of Mr Poole’s evidence which are not corroborated. Is similar matter due to the fact that it was the same programmer and therefore a consequence of mere style or is it due to copying and modification? I have come to the conclusion that I should not accept the mere style explanation from Mr Poole. Why else would he have told untruths about the disk-to-disk copying? My difficulties are the same as those of Vice Chancellor, Sir William Page-Wood over 100 years ago when faced with a defendant who denied copying but who manifestly had copied. He said (in Jarrold v Houlston (1857) 3 K & J 708 at 717):
That Mr Philp has made use of the plaintiff's book to a certain extent I find to be clear. The extent to which he has done so is another subject of consideration with regard to the injunction. But ... I have come, with great regret, to the conclusion that the statement in his affidavit denying that he has taken any idea or language front the work of Dr Brewer is wholly inconsistent with any conclusion I can arrive at after looking at the numerous possibilities to which I have been referred. I extremely regret that he did not take the frank and candid course of stating how he had used the book. Had he done so, the case might very possibly now wear a different aspect.

It is of course possible for two programs to be similar as a result of mere style. Such was the case of a minor program within Unicorn written not by Mr Poole but by one Joy Masters who had learned programming with Mr Poole at Supaflo many years earlier. In the case of Mr Poole’s programs however the question is not whether the similarities could have arisen by reason of style and programming habits, but did they? Mr Poole was capable of producing something like Unicorn independently (though probably not in the time-frame within which it was done). He is manifestly good at programming. His skill in producing both ADS and Unicorn shows this.

Unicorn is undoubtedly to the user a much friendlier program than ADS was at the time (it has now been much enhanced I understand). It has got convenient cursor movements, colour, error correction and so on, all absent from ADS as I was shown. Users doubtless think of the programs as very different because they present differently. Indeed Mr Dance, a customer, told me that was so in his case. But I think Mr Poole was taking shortcuts by starting with ADS and making considerable additions and modifications. Unicorn is a major enhancement of ADS, not a wholly independent creation. Given his failure to be ‘frank and candid’ I think the proper inference is that the similarities identified by Mr Turner and not explained by independent evidence are due to copying. That is the guide by which I think it right to judge the question of whether a substantial part was taken. I turn to Mr Turner’s similarities.

‘Substantial Part’: Program Structures

Under the head ‘program structure’ Mr Turner has identified individual programs in each package which correspond. The correspondence is very close, though there are some cases where an individual Unicorn program corresponds to two or three ADS programs. Now is the compilation of ADS programs a copyright work in itself? True it is that most if not all of the functions achieved by these programs would have to be implemented by an independent programmer. But it by no means follows that he would achieve those functions by the same set of programs. As Mr Turner observes:

The architect and designer of a software package has considerable freedom to decide how such functionality [ie of the program at system module level] is to be implemented.

I think that the putting together of the various programs in ADS, by a kind of organic growth over the years, did result in a copyright work. I of course bear in mind that within the set are some self-evident programs (eg open printer)
but the putting together of the whole package involved considerable skill and labour. Was that copyright infringed? I think it was. It is true that in some cases several ADS programs have been combined into one (explicable by the improvements in hardware which make this possible) and that Unicorn has added to it many further programs which have no ADS equivalent as is shown by a list made by Mr Poole’s solicitor. But I think Mr Poole took as his starting point the ADS set and that set remains substantially in Unicorn.

Another difficult area for determining whether copyright has been infringed is maps. In part at least this is due to the way cartographers work, using previous maps for reference. In Geographia v Penguin Books [1985] FSR 208 Whitford J said:

Under the Copyright Act 1956 maps are by definition artistic works. Under the Act of 1911 (s 35(1)) they were classified as literary works. Prior to the Act of 1911 it would seem that a map was entitled to be treated as a literary work if the owner of any alleged copyright described it as a map (Stannard v Lee (1871) LR 6 Ch 340), or alternatively is an artistic work if the owner of the alleged copyright chose to describe it as an engraving (Stannard v Harrison (1871) 19 WR 811). A map might be considered as being entitled to protection under either head.

[The plaintiffs’ case here], with the possible exception of colouring, to which I shall be coming, must rest upon the work done in selecting the features, lakes, rivers, mountains; railways and so on, and the towns – to be included in the Daily Telegraph map, the whole being something that can be regarded as a compilation of information which involved a good deal of time and effort in the making and which it was hoped would be of value to any user of the map. In point of general presentation the Daily Telegraph map and the allegedly infringing map, save for the fact that they are both maps of the world, on a cylindrical projection, differ considerably. It stands agreed that in the context of such a map as we have here any commercial map-maker setting out to make a map is going to have to refer to and take materials from earlier maps as well as other relevant information sources. Whether in so doing there will be an infringement of copyright in the materials consulted and used must depend upon the facts of each particular case. If the outlines of the countries and the positions of islands were traced from some earlier map for which a claim to a copyright in these features could be established, this no doubt might in itself constitute an infringement. The plaintiffs here make no claim to copyright in such features as I have just outlined, features which were in any event on the evidence not copied from the Daily Telegraph map in the making of the alleged infringing map.

On the question of selection of towns and physical features of minor importance having regard to the similarities in colouring, there may have been some ground for suspicion in the plaintiffs’ minds, when their attention was first brought to the Penguin map. It was quite apparent from the manner in which he gave his evidence that it would require but little to trigger off the suspicions of Mr Moore, the plaintiffs’ present head of cartographical services.
Having heard the evidence of Mr Middleditch, I am entirely satisfied that so far as his selections of towns and physical features of minor significance are concerned, these were made from a variety of sources. The plaintiffs have wholly failed to establish – and of course they could only do it by asking me to draw inferences – that his selection was derived in any substantial part, or indeed that they derived at all from the *Daily Telegraph* map. The use of the *Daily Telegraph* map through the *Geographia* atlas in the placing of colours is admitted but it is not really of any great significance. Adapt ing slightly the words of Judge Mack, if you take the *Penguin* map and put it against the *Daily Telegraph* map there is no doubt – Mr Fullard very frankly admitted this – that as compared with the *Daily Telegraph* map the *Penguin* map shows a great deal of originality and that the *Penguin* map is manifestly different from the *Daily Telegraph* map. It was also quite apparent from the evidence in the case that a very great deal of skill, labour and expense was involved in the production of the *Penguin* map, and Mr Middleditch’s evidence as to the effort that was involved and the expense that was involved was not challenged in cross-examination. This cannot be said to be a case in which there could have been any real saving of time or money. In coming to the conclusion that copying was established in the case before him, Judge Mack, who plainly did not believe the only witness called by the defendants, relied to a not inconsiderable extent on errors appearing in both maps, which must plainly have been copied by the defendants from the plaintiffs’ map. There are errors in the *Daily Telegraph* map. Mr Jacob pointed out none of these have been copied into the *Penguin* map. That this is so is not disputed, but of course it does not dispose of the matter at all.

The fact that no errors were copied from one map to the other cannot prove that there was no copying, though if such errors had been taken from one map to the other that might indeed have required some very convincing explanation.

In a map case, even if, on a close examination, there be some apparent similarity in the finer features the question is always going to remain as to whether having regard to the quantity and quality of the information taken there has been any real prejudice to the interests of the copyright owner. As Lord Reid observed in *Ladbroke (Football) Limited v William Hill (Football) Limited* [1964] 1 WLR 273 at 276: ‘The question whether he has copied a substantial part depends much more on the quality than on the quantity of what he has taken.’ All that can be said to have been proved to have been taken here is some relatively insignificant features of colouring. The plaintiffs’ case fails and the action must stand dismissed.

*Bauman v Fussell* [1978] RPC (CA) concerned a painting of – of all things – a cockfight. It bore a close resemblance to an earlier photograph. How far did the photographer’s rights go?

*Prima facie*, the question whether the alleged infringement is a copy or reproduction within the Act is a question of fact, and unless the learned judge had misdirected himself we should not interfere. Mr Skone James for the appellant submits that he has, and puts his case as follows. Design is a
substantial part of an artistic work. The position of the birds is the main part of the design of the photograph. It has been copied or reproduced.

I think the first proposition requires some examination in relation to photographs. A man takes a photograph of a procession or the laying of a foundation stone. He, of course, has chosen when and from where the photograph should be taken. The relative position of those in the procession, or their taking part in the ceremony is not, however, his work, or his design, in the sense in which the relative position of the figures on the ceiling of the Sistine chapel was the work and design of Michelangelo. The order and arrangement of the procession has been, no doubt, carefully planned and designed by someone else. It is an individual’s work that the Act is intended to protect. I do not think that a painter who was minded to make a picture of the procession, in his own style, would be committing a breach of copyright if he used the photograph to enable him to get accurately the relative positions of those taking part. What he would be taking would not be a substantial portion of the plaintiff’s work. At the other end of the photographic scale one can imagine a case where the photographer has made an original arrangement of the objects animate and inanimate which he photographs in order to create a harmonious design representing, for example, spring. Here the design would be his work. The position of the birds here is betwixt and between. It is, I think nearer to the former than the latter category.

There is another consideration which is, I think, relevant here. It is referred to by Romer LJ in *Brooks v Religious Tract Society* (1897) 45 WR 476. That was a case where part of the engraving had been copied, a collie dog, and part altered. Romer LJ says ‘It was not only the dog which was taken, but also the feeling and artistic character of the plaintiff’s work. They had taken the design whilst substituting cats and a tortoise for the child’. This was under earlier Acts somewhat differently worded but clearly the question whether ‘the feeling and artistic character’ have been taken is relevant to the question whether a substantial portion of the plaintiff’s work has been copied or reproduced. Here the feeling and artistic character of the picture are the work of the defendant. I am not suggesting this is conclusive. I think there might well be a case where what was taken was part of the plaintiff’s work in the fullest sense, there might yet be an infringement although the feeling and artistic character of the two works were different.

Just as with the *Geographia* map, artists often work from reference material. *Krisarts v Briarfine* [1977] FSR 577 concerned an artist, Mrs Gardner, who produced five paintings making use of an original work by M Legendre. Both worked from ‘view cards’ and photographs as well as their own sketches: both produced works that were original, although Mrs Gardner’s included M Legendre’s material. As the first artist to produce a picture of the subject, how far did the court have to go in according him a monopoly over it? (The case was, like many intellectual property cases, only an interlocutory hearing, but the judge, Whitford J again, is pretty dismissive.)

There is of course nothing wrong in this. It is a commonplace for artists of distinction not to paint on the spot but to prefer to make sketches or
impressions or notes from which they work up their paintings at home, and it is by no means uncommon for artists to reinforce their memory by photographic representations of works which are painted in the studio. Nonetheless, at the end of the day most artists produce some distinctive contribution to a scene which may be very well known indeed, and I think, looking at the works it can be said that M Legendre has done this and I am of the opinion that there is undoubtedly an arguable case on the plaintiffs’ side that in producing the work which she in fact produced, although as I have said, it was entirely accepted that a great deal of what she did was original, Mrs Gardner has in fact made a use of the work of M Legendre in respect of all five paintings, the subject of dispute, sufficiently substantial to base a claim of infringement of copyright. Whether at the end of the day the case will be satisfactorily made out is another matter altogether but I cannot for one moment begin to accept the submission of counsel for the defendants that this application for an interlocutory injunction must fail because there is no arguable case on the issue of infringement.

The same issue of determining how much use can be made of an earlier work arises with computer programs. In *MS Associates v Power* [1988] FSR 242 – another interlocutory decision – Falconer J considered the issues involved.

[The plaintiffs’] case is that the library section in the defendants’ B-tran translator program has been derived from the library of the plaintiffs, copied to an extent that constitutes infringement of copyright. In support of their case the plaintiffs rely on what Mr Wilson referred to as ‘many objective similarities in structure and in detail,’ coupled with the fact that there had been opportunity for the first defendant to copy from the plaintiffs’ Microsoft BASIC to ‘C’, ‘C-Gen’, program when he had access to it, first as their employee engaged on work on it and, second, as their distributor of that program, and particularly when as their distributor he was concerned in adapting the library section of the C-Gen program purchased by Pegasus to the particular requirements of that purchaser.

It is the first defendant’s evidence that the library in his B-tran program was not copied from the plaintiffs’ program. The matters relied on as similarities are set out at some length by Mr Maskell in Part D of Exhibit KRM.2 to his first affidavit and they are commented on by the first defendant, again at some length, in his Exhibit JMP.1.

I should refer briefly to the particular matters which Mr Wilson relied upon especially. The library in the plaintiffs’ program, as is the defendants’, is a library of ‘C’ functions which can be called upon; to most of the functions the plaintiffs have given names beginning with ‘MS’, followed by letters related to the BASIC equivalent, where there is one. In the defendants’ B-tran program many of the function names are the same without the ‘MS’ so that many resemble the BASIC equivalent. But there is a striking line similarity in the list of functions at the beginning of the plaintiffs’ program, a list which is in random order – see paragraph 3.1.5 of section D of KRM.2. It is noteworthy that in the defendants’ list, as in the plaintiffs’, is the function ‘vptrs’, and, it is Mr Maskell’s evidence, not apparently disputed by the first defendant, that that function is not used in the defendants’ program.
Mr Hammond, an independent expert who is a lecturer in computer science at the City University and has sworn on affidavit on behalf of the defendants, regards that function list similarity as one requiring explanation. Mr Wilson regarded that as one of the closest similarities, but there are also other line similarities in section D of KRM.2 – they are referred to collectively in paragraph 19 of the first defendant’s affidavit and he points out that they amount to only 43 lines in a total program of 15,000 lines. (I think that total should be limited to 9,000 as that was the extent of the program made available on the second inspection).

Mr Wilson accepted that the plaintiffs have not been able to find a large number of line identities but he submitted that their case is based on similarities not just identities, although, so he argued, such identities as the lines containing the list of functions show that the similarities result from copying.

As to similarities in structure, Mr Wilson drew attention to:

(1) in the defendants’ program, as in the plaintiffs’, the library section includes a MAP function, generating an internal reference number for an opened file – the defendants’ MAP function is not identical to the plaintiffs’ which includes two intermediate steps not present in the defendants’ MAP function. But it is not in dispute that there is no equivalent function in BASIC – nor in BASTOC, the only competitive program for the translation of Microsoft BASIC into ‘C’.

(2) in the plaintiffs’ program the ‘oct’ function is arbitrarily grouped with the ‘hex’ function following it. In the defendants’ B-tran, the ‘oct’ function similarly is grouped with the ‘hex’ function in the source code file called ‘hex c’. It is Mr Maskell’s evidence that there is no obvious reason why it should be so grouped with the ‘hex’ function, other than that the plaintiffs had so grouped them together, and indeed that it would have been better not to put it there but allocate it a separate source code file of its own. However, in commenting on this point, the first defendant’s evidence is that the ‘hex’ and ‘oct’ functions are commonly grouped together and are so in Microsoft BASIC.

(3) The plaintiffs say that the file structure itself in the library in the defendants’ B-tran is logically equivalent and very similar and they point, in particular, to the ‘GET’ function; however, Mr Power says the file structure is fundamentally different. In Exhibit JMP.2 to Mr Power’s affidavit are printouts of the ‘GET’ function and Mr Carr pointed out the defendants’ takes 25 lines and the plaintiffs’ takes 91. But reference to figure 4 in Exhibit JMP.3 together with the same printouts numbered and lettered as in Exhibit KRM.9 makes reasonably clear that in fact both ‘GET’ functions follow the same outline – the only difference being that after the second stage in the routine (MAP) the plaintiffs ‘GET’ routine offers an alternative facility (see right hand path in the left hand lock diagram of figure 4 of Exhibit JMP.3). Following the routine of the left hand path in that diagram appears to show the same routine as that in the defendants’ routine shown in figure 4, resulting in the same data in the same form.
Parody and burlesque are another matter (see Landes and Posner’s comments on p 290). Inevitably, in parodying a work one will reproduce elements of the original and elements more substantial than for example the Nazi greetings and Bierkeller scenes of in issue in the American case of *Hoehling v Universal City Studios* 618 F2d 972, 205 USPQ 681 (2d Cir, 618 F2d 1980), which concerned film treatments of the Hindenberg disaster. The Copyright, Designs and Patents Act 1988 allows fair dealing for criticism and review, but this is again a different matter. In *Williamson Music v Pearson Partnership* [1987] FSR 97 Judge Paul Baker QC considered how far a parody infringes copyright:

The first issue to which I should address myself is the question as to how far a parody is an infringement of copyright. Mr Prescott observed in the course of his submissions that it is hard to see how a parody could ever be an infringement and this has been canvassed to some extent, in the authorities. Before I look into them, I call attention to two features of parody or burlesque. First of all, it is to be observed that the parodist of the successful parody does himself do a lot of original work in parodying the first work and so can be said to create a new and original work. Of course it has necessarily to conjure up the old or it would fail as a parody, but it is commonplace in this branch of the law that copyright resides not in ideas, but in the expression of them. So the parodist may take an idea and from it a completely new and original work may be created. Another element of this is that the parodist may be indulging in literary criticism or review of the original work. This latter point, however, does not arise in the present case, because that was not the purpose of the compilers of the advertisement, so I need not deal with any sort of defence under s 6 of the Copyright Act, that is, the fair dealing exception.

I said that there were a number of authorities and I was referred, among others, to an American authority, which I propose to take first. It is the case of *Irving Berlin v EC Publications Inc* which was heard by the US Court of Appeals, Second Circuit, in 1964, 329 Fed 2d 541. Irving Berlin is a well-known composer of songs and it seems that in this case the defendants had created and published 25 parodies of his songs. The judgment was given by Judge Kaufman of the Court of Appeals. I propose just to read two passages from his judgment, where he dealt with two precedent cases where a parody was alleged, in one of which the copyright owners had succeeded and in the other of which they had failed. Of those two cases, and I need not refer to them further, Judge Kaufman says:

The distinction between the two situations, Judge Carter reasoned, turned on the relative significance or ‘substantiality’ – in terms of both quality and quantity – of the material taken from the original motion pictures. In both cases, the court recognised in painstaking and scholarly opinions the historic importance and social value of parody and burlesque; in both, it conceded that the parodist must be permitted sufficient latitude to cause his reader or viewer to ‘recall or conjure up’ the original work if the parody is to be successful. But in Benny’s case, the court concluded this licence had been grossly exceeded.

I note from there the reference to quality and quantity of the material taken and in terms of substantiality.
Judge Kaufman concluded his judgment in which he rejected the claim for copyright in relation to all the 25 parodies in these terms:

For, as a general proposition, we believe that parody and satire are deserving of substantial freedom – both as entertainment and as a form of social and literary criticism.

He makes reference to *Don Quixote* and *Swift's Gulliver's Travels* and goes on:

At the very least, where, as here, it is clear that the parody has neither the intent nor the effect of fulfilling the demand for the original, and where the parodist does not appropriate a greater amount of the original work than is necessary to ‘recall or conjure up’ the object of his satire, a finding of infringement would be improper.

That is of great interest although the US law on copyright is in material respects different from that here, but I notice that, although the parodist is treated generously in the proceedings in the US, he does not in fact have a licence to appropriate the other person’s work.

I suppose in England the high water mark of any liberty allowed to parodies was the judgment of Younger J, as he then was, in *Glyn v Weston Feature Film Company* [1916] 1 Ch 261. A number of points came up in this case which are not relevant to the issues I have to decide, and I will not take time reading through the facts, beguiling as they are. The passage I had in mind came after the learned judge had concluded that here was no substantial taking by the film *Pimple's Three Weeks* of the work of Eleanor Glyn of her novel *Three Weeks*, so that the case was disposed of on that ground. What followed were some helpful observations although they are *obiter.* At p 268, Younger J says:

Making all allowance for the fact that prior to the Act of 1911 literary copyright did not include the acting right, it certainly is remarkable that no case can be found in the books in which a burlesque even of a play has been treated as an infringement of copyright, although burlesque, frequently more distinguished than the thing burlesqued, is as old as Aristophanes, to take Mr Hartree’s example.

Then he refers to certain authorities. He says why the older order had to go and then he says:

Most probably, however, the reason is to be found involved in such observations as those of Lindley LJ in *Hansfstaengl v Empire Palace*, or in such a decision as that of the Court of Appeal in *Francis, Day & Hunter v Feldman & Co*, or in the principle that no infringement of the plaintiff’s rights takes place where a defendant has bestowed such mental labour upon what he has taken and has subjected it to such revision and alteration as to produce an original result.

He goes on to deal with another case, which perhaps qualifies that, later on in the same paragraph, because he says:

If, in considering whether such a literary work as a novel has been infringed by such a thing as a cinematograph film, the true enquiry is, as I think it must be, whether, keeping in view the idea and general effect created by a perusal of the novel, such a degree of similarity is attained as would lead one to say that the film is a reproduction of incidents described
in the novel or of a substantial part thereof, then in my opinion, the answer
in the present case must be in the negative.

That case is perhaps the high water mark but there is something on the same
QB 60, a decision of McNair J. This had arisen out of a feature article in the
*Sunday Pictorial* which reported the activities of HRH The Duke of Edinburgh,
which activities had caused raised eyebrows in some quarters. At the time
there was, and still is for all I know, a form of music known as rock-and-roll
and one of the then popular songs had the line: ‘Rock-a-Billy, Rock-a-Billy,
Rock-a-Billy, Rock’. It went on with that three times and ended up with some
slight variation. The *Sunday Pictorial* adapted that to: ‘Rock-a-Philip, Rock-a-
Philip, Rock-a-Philip, Rock’. That was the chorus. The verses were totally
different.

The complaint was that the newspaper version was an infringement of the
literary copyright in the original song. There was no question of music in this
case – the infringers had not used music at all. It might be said that there was
no copyright as it is difficult to see how the original lines were an original
literary work. They are more gibberish than anything else, but that may be too
fastidious a view. That, however, is not quite the way that the learned judge
disposed of the case. He found against the claim for copyright and disposed of
it on these lines (at p 70):

> If one had to direct a jury on this question [that is to say, whether a parody
> is an infringement] one would clearly tell them of the various tests that
> have been suggested as guiding tests, and it would be proper to emphasise
to them this test which Younger J suggested as to whether the defendant
> had bestowed such mental labour on what he had taken and subjected it to
> such revision and alteration as to produce an original work. I cannot help
> thinking that a jury with that direction would have said that, although it is
> clear that the article in the *Sunday Pictorial* had its origin in ‘Rock-a-Billy’,
it was produced by sufficient independent new work by Paul Boyle to be in
itself, not a reproduction of the original ‘Rock-a-Billy’, but a new original
work derived from ‘Rock-a-Billy’. And, that being my conclusion of fact,
quite shortly I say that I am not satisfied that the article in the *Sunday
Pictorial* does reproduce a substantial part of the words of the ‘Rock-a-Billy’
song of which the plaintiffs have the copyright.

In a case of artistic copyright, Falconer J made some comments on that decision
of McNair J. The case is *Schweppes Limited and Others v Wellingtons Limited*
[1984] FSR 210, and the article in question was the bottle of Schweppes tonic
water with a distinctive label. That is a soft drink. The defendants were
manufacturers of something known as a tonic bubble bath, which they put in a
similar bottle with a very similar label, except that it had the name ‘Schlurppes’
on it instead of ‘Schweppes’. The design was something very similar, but it
being for a totally different market there was no question of passing off. One of
the points in resisting the claim for copyright infringement which was made by
the defendants was that it was a parody. The learned judge deals with that in
this way:
What is said, and it has been said forcibly by Mr Tager, is that this bottle is in the nature of a parody; the article itself is meant to be sold, no doubt, as a joke, and to have the characteristics of a caricature.

Then he goes on to point out that Mr Tager relied on the decision of McNair J in *Joy Music Limited* and he referred especially to what the headnote in that case said, which was

that in considering whether a parody of a literary work constituted an infringement of the copyright in that work the main test to be applied was whether the writer had bestowed such mental labour upon the material he had taken and had subjected it to such revision and alteration as to produce an original work.

Falconer J goes on:

and of course it is on that proposition that Mr Tager argues that there is a defence in this particular case to infringement. Put in that form, with all due respect, I do not think that a correct statement of the law. The sole test is whether the defendant’s work has reproduced a substantial part of the plaintiff’s ex hypothesi copyright work. The fact that the defendant in reproducing his work may have himself employed labour and produced something original, or some part of his work which is original, is beside the point if nonetheless the resulting defendant’s work reproduces without the licence of the plaintiff a substantial part of the plaintiff’s work. The test every time in my judgment is, as the statute makes perfectly plain: ‘Has there been a reproduction in the defendant’s work of a substantial part of the plaintiff’s work?’

When considering any question of parody, I accept that test of Falconer J, that the test every time is, as the statute makes perfectly plain: ‘Has there been a reproduction in the defendant’s work of a substantial part of the plaintiff’s work?’

*Francis, Day & Hunter v Bron* [1963] Ch 587 was not a parody case but one that concerned unconscious copying. The composer of a song called ‘Why’ was accused of infringing copyright in another song, called ‘Spanish Town’. Both works seem to be examples of how copyright protection can outlast the works it protects. The Court of Appeal held:

The composer of ‘Why’ was called as a witness, and not only denied copying, but denied that he had ever seen the music of ‘Spanish Town’, or even consciously heard it. He was a man of 33 years of age and had lived most of his life in the US. He stated that he had been composing music since he was 11, and had played various instruments in dance bands. In cross-examination he admitted that at a younger age he might have heard ‘Spanish Town’, because he had heard a lot of music, but he adhered to his statement that he had never consciously studied it, and said that he did not recall ever playing it. The judge accepted his evidence, and I do not think that we in this court could properly interfere with that finding even if we were invited to do so, which we were not. But the plaintiffs say that that is by no means the end of the case, for Mr de Angelis could well have copied from ‘Spanish Town’ subconsciously. The song having been extensively exploited in the US, the overwhelming probability (it
is said) is that he must have heard it; and the degree of similarity between ‘Spanish Town’ and ‘Why’ is such that an inference of, at any rate, subconscious copying should be drawn. That, it is contended, would be enough to constitute an infringement of the plaintiffs’ copyright. The judge, however, decided that there was not sufficient material to justify the inference that Mr de Angelis copied the plaintiffs’ work, even subconsciously; and he accordingly dismissed the action. It is to this point that the present appeal has been mainly directed.

Counsel, in presenting his argument on behalf of the defendants, drew attention to the fact that in relation to musical copyright, under s 2 of the Act of 1956, there are only three forbidden processes, viz, ‘reproduction’, ‘arrangement’ and ‘transcription’. Arrangement and transcription, he submitted, can be only the result of a conscious and deliberate process; a man cannot arrange or transcribe without knowing that he is doing so. The judge’s acceptance of the evidence of Mr de Angelis, therefore, precludes the possibility of finding any infringement of the plaintiffs’ copyright by arrangement or transcription. This submission must, I think, be accepted.

Counsel for the defendants conceded that reproduction could possibly be the result of a subconscious process. But he went on to submit that reproduction within the section could mean nothing short of identity. Reproduction, under s 49, may be of a substantial part; but there is no suggestion in the Act of 1956 of any such thing as a ‘substantial reproduction’. In the present case it cannot be said that there is anything approaching identity between the plaintiffs’ work and that of Mr de Angelis. Consequently, counsel submitted, there could be no infringement of the plaintiffs’ copyright, whether conscious or unconscious, by way of reproduction.

I find myself quite unable to accept this submission, for I can find no warrant for the suggestion that reproduction, within the meaning of the section, occurs only when identity is achieved. This not only offends against common sense, but, I think, is contrary to authority. In Austin v Columbia Gramophone Co Ltd [1917–23] Mac Cop Cas 398, the headnote reads:

Infringement of copyright in music is not a question of note-for-note comparison, but of whether the substance of the original copyright work is taken or not.

In that case, Astbury J quoted from the earlier case of D’Alamaine v Boosey ((1835) 1 Y & C Ex 288) where it was laid down that ‘it must depend on whether the air taken is substantially the same with the original’. I accept that as a correct statement of the principle.

On the other side, counsel for the plaintiffs submitted in the first place that Mr de Angelis’s denial of copying was wholly irrelevant. For where, as was said to be the case here, a sufficient degree of similarity is shown, and it is further proved that the composer of the second work had access to the earlier work in the sense that he must probably have heard it, an irrebuttable presumption arises that the former has been copied from the latter. No authority was cited in support of this proposition, which, if well-founded, would eliminate the necessity for any further evidence once similarity coupled with access had been proved. In my judgment, the proposition contended for is quite
Copyright

untenable; the most that can be said, it seems to me, is that proof of similarity, coupled with access, raises a *prima facie* case for the defendant to answer.

Counsel for the plaintiffs contended in the alternative that the degree of similarity found by the judge in the present case was such as to compel an inference of copying which, even if subconscious, was sufficient to give the plaintiffs a cause of action for infringement. I confess that I have found the notion of subconscious copying one of some difficulty, for at first sight it would seem to amount to a contradiction in terms, the word ‘copying’ in its ordinary usage connoting what is essentially a conscious process. The text books on copyright make no reference to the subject, and English authority in relation to it is confined to a single dictum of Luxmoore J in *G Ricordi & Co (London) Ltd v Clayton and Walter Ltd* ([1928–35] Mac CC 91). Our attention, however, was called to a number of cases in the US in which the subject has been discussed, and in some of which a decision in favour of the plaintiff has been based on a finding of unconscious copying. It appears to me that the question must be considered in two stages, *viz*, (i) whether subconscious copying is a psychological possibility; and (2) if so, whether in a given case it is capable of amounting to an infringement of the plaintiff’s copyright.

As to the first of these questions, it was suggested by counsel for the defendants that medical evidence should always be required before a finding of subconscious copying could be justified. I cannot think that this is necessary; for the psychological possibility of subconscious copying was clearly recognised by Luxmoore J and in the various American decisions, which must be regarded as of high persuasive authority. What Luxmoore J said in relation to the defendants before him in the *Ricordi* case [1928–35] Mac CC 154 was:

> If there has been any infringement it must have been subconsciously, because the persons responsible knew the air complained of so well that they have taken it because they knew it.

Similarly, in two American cases in which the plaintiff succeeded on the ground of subconscious copying, *viz*, *Fred Fisher Inc v Dillingham* ((1924) 298 Fed 145) and *Edwards & Deutsch Lithographing Co v Boorman*, the decision was based on the finding of a high degree of familiarity with the plaintiffs’ work. From this emerges the conclusion, which seems to me to be consonant with good sense, that, if subconscious copying is to be found, there must be proof (or at least a strong inference) of *de facto* similarity with the work alleged to be copied. In the present case, on the findings of the judge, this element is conspicuously lacking.

On the second question, *viz*, whether any subconscious copying proved could amount to an infringement of the plaintiffs’ copyright, it seems to me that all that can be said is that at least the *dictum* of Luxmoore J envisages the possibility. On this point I do not think that much help is to be derived from the American decisions which have been cited, since the American statute under which they were decided is markedly different in its terms. No evidence of American law was adduced, and in its absence it is not for us to construe the American statute. However (as was pointed out by junior counsel for the plaintiffs) it may be observed that, in order to establish an infringement of copyright, it is not necessary to prove anything in the nature of *mens rea*. The
printer, for instance, may be held guilty of infringement though he has no conscious intent.

The conclusion at which I arrive on this part of the case is that subconscious copying is a possibility which, if it occurs, may amount to an infringement of copyright. But in order to establish liability on this ground, it must be shown that the composer of the offending work was in fact familiar with the work alleged to have been copied. This view, I think, is not inconsistent with the submissions put forward by Mr Skone James. In the course of an argument which I found convincing, he submitted that, in considering whether there has been reproduction, so as to constitute an infringement within the Copyright Act 1956, it is wholly irrelevant to enquire whether any copying has been conscious or subconscious. It is for this reason, he modestly suggested, that the textbooks are silent on the subject of subconscious copying. Mr Skone James presented his argument in four propositions which, if I understood him correctly, may be summarised as follows: (1) in order to constitute reproduction, within the meaning of the Act, there must be (a) a sufficient degree of objective similarity between the two works; and (b) some causal connection between the plaintiffs’ and the defendant’s work. (2) It is quite irrelevant to enquire whether the defendant was or was not consciously aware of such causal connection. (3) Where there is a substantial degree of objective similarity, this of itself will afford prima facie evidence to show that there is a causal connection between the plaintiffs’ and the defendant’s work; at least, it is a circumstance from which the inference may be drawn. (4) The fact that the defendant denies that he consciously copied affords some evidence to rebut the inference of causal connection arising from the objective similarity, but is in no way conclusive.

If this is the right approach (as I think it is), it becomes a simple question of fact to decide whether the degree of objective similarity proved is sufficient, in all the circumstances of the particular case, to warrant the inference that there is a causal connection between the plaintiffs’ and the defendants’ work. This is the way in which, as it seems to me, the judge in the present case approached the question which he had to decide. He directed himself as follows:

The final question to be resolved is whether the plaintiffs’ work has been copied or reproduced, and it seems to me that the answer can only be reached by a judgment of fact on a number of composite elements. The degree of familiarity (if proved at all, or properly inferred) with the plaintiffs’ work, the character of the work, particularly its qualities of impressing the mind and memory, the objective similarity of the defendants’ work, the inherent probability that such similarity as is found could be due to coincidence, the existence of other influences on the defendant composer, and not least the quality of the defendant composer’s own evidence on the presence or otherwise in his mind of the plaintiffs’ work.

In my judgment that was a proper direction, against which no criticism can fairly be brought.
Permitted use of copyright material

Not all uses of copyright material are prohibited. Copyright is the exclusive right to do or to authorise someone else to do certain acts: so if the owner of the copyright gives permission – licenses the activity – there will be no question of infringement. The difficulty may lie in determining what use has been licensed.

The 1988 Act also permits certain acts that would otherwise be restricted by copyright. These are where the interests of society outweigh the interests of the copyright owner: broadly, where the author’s exploitation of the rights given by copyright is not prejudiced by the blanket permission to do the act. So photocopying, provided it is for private study or research and is ‘fair dealing’ (an interesting concept, undefined in the statute, which finds its equivalent in the US legislation in the ‘fair use’ provisions, which are much more generous) is allowed.

However, this has led for many years to arguments about what is permitted and what needs an express licence. The law on fair dealing was not tidied up in the 1988 Act, as many people wanted, but it did make comprehensive provision for the introduction of blanket licensing in many additional areas. The technique had been known for many years in the field of music, where collecting societies like the Performing Rights Society license users and distribute the proceeds among their members, after deducting their running expenses, which were criticised during the passage of the Act as excessively large. Now, the use of photocopiers in university libraries is licensed by the Copyright Licensing Agency: the university pays a fee which goes to the CLA, which then splits it between the publishers and the authors (through the Authors’ Licensing and Copyright Society), which in turn gives some of it to me. I hope it exceeds the 13p that appeared on my last Public Lending Right statement.

This extract from the British Copyright Council booklet ‘Photocopying from Books and Journals’ (1991), written by Charles Clarke and reproduced here with his kind permission, describes the legal controls that there are over photocopying.

Lawful photocopying

Copies of a copyright work may be made lawfully in one of two ways – first, the copies may be made with the permission of the copyright owner: second, there are a limited number of special cases provided by the 1988 Act where copies may, as exceptions to the general principle, be made without first obtaining the copyright owner’s permission provided special statutory conditions are complied with.
3.1 Copies made with the copyright owner’s permission

3.1.1 Individual permission

Any person who intends to make single or multiple copies of a published literary work may apply to the copyright owner for permission to do so. The application should be made to the publisher who would normally have authority to grant permission, but if he is not able to do so, he would certainly be able to advise who had that authority. Permission would not normally be withheld and the user would be informed of the terms on which the permission would be granted.

3.1.2 Copying licence

Where the prospective user is an institution, such as a library or school or other educational establishment, or an information centre in a large firm, owning or controlling photocopying equipment on which large numbers of copies of published material are made, it is clearly cumbersome and even unworkable to have to obtain permission to make copies through individual applications for each work to be copied and each copy to be made. Authors and publishers, through their respective representative bodies, jointly established in 1982 the Copyright Licensing Agency (CLA) in order to issue licences for much of the existing repertoire of published copyright material. The essential feature of these licences is that the licensee obtains permission to make single or multiple copies up to negotiated limits of all or any of the works covered by the CLA licence in return for the payment of agreed fees. In a few cases, for sampling purposes, the licensee agrees to supply data enabling the CLA to assess the intensity of copying being done and to distribute the fees received fairly amongst the copyright owners of the actual works copied in proportion to the amount of copying.

The scope of collective licensing of photocopying now operated by the CLA has grown greatly since the previous version of this booklet was published in 1985. First, the repertoire of works made available to the CLA by their authors and/or publishers for purposes of licensing is now very wide, and includes most of the books published by members of the Publishers’ Association, and a growing number of learned journals published in the UK and also in the US, together with books, magazines, journals and sometimes newspapers published in other countries. Second, the list of user bodies which see the convenience to them of a licensing system increases every year. The entire maintained schools system in the UK is licensed by the CLA: over 90% of private schools have entered into individual licensing agreements; universities, polytechnics and other institutions of higher education have entered into licensing agreements and negotiations for use of copyright material through photocopying are in hand with industry, commerce, the professions and public services. It is important that users keep in touch with the latest developments in their particular segment of, eg education, industry or a profession. Full and up-to-date information on licensing cover available from CLA, undertaken especially in the light of the new provisions of Chapter 7 of the 1988 Act, can be obtained on application to the Copyright Licensing Agency, 90 Tottenham Court Road, London W1P 9HE.
3.1.3 General permission

Some publishers of journals, learned society publishers especially, may grant a general permission authorising single copying of a single article, for example, from an issue of a journal. This form of general permission is usually indicated by wording on the inside cover of the issue.

3.2 Photocopying under special statutory provision

The 1988 Act permits copies of copyright works to be made under special statutory authority in certain cases. These statutory provisions aim to ensure that copyright considerations will not unduly hinder the processes of education or of public administration or the provision of public library and information services. Overall, it must be remembered that the UK is a founder member of the Berne Convention. Under Article 9 of that convention, copying under a national copyright law must neither conflict with the normal exploitation of a work, nor unreasonably prejudice the legitimate interests of the author.

The three groups of provisions in the 1988 Act most relevant to most users are set out below:

3.2.1 Fair dealing for the purposes of research or private study

Section 29 of the 1988 Act provides that:

1. Fair dealing with a literary, dramatic, musical or artistic work for the purposes of research or private study does not infringe any copyright in the work or, in the case of a published edition, in the typographical arrangement.

2. Fair dealing with the typographical arrangement of a published edition for the purposes mentioned in subsection (1) does not infringe any copyright in the arrangement.

3. Copying by a person other than the researcher or student himself is not fair dealing if:

   a. in the case of a librarian, or a person acting on behalf of a librarian, he does anything which regulations under s 40 would not permit to be done under s 38 or 39 (articles or parts of published works: restrictions on multiple copies of the same material); or

   b. in any other case, the person doing the copying knows or has reason to believe that it will result in copies of substantially the same material being provided to more than one person at substantially the same time and for substantially the same purpose.

Section 29 is a considerably expanded version of s 6 (1) of the Copyright Act 1956. First, the role of the library, and not only a prescribed library, is spelt out. Any library may act on behalf of an individual for fair dealing purposes. Second, in subsections 3 (a) and (b), the new Act prohibits the production of multiple copying of the same material under the guise of fair dealing. That kind of copying, known frequently as ‘systematic copying’, is clearly not fair dealing with a copyright work, and must be properly licensed, which in most cases can now be done by collective licences available from the Copyright Licensing Agency (see 3.1.2).
Because fair dealing is a concept which may apply in different ways to different categories of copyright works, the new Act does not define fair dealing, and there are few helpful judicial decisions. It is important, therefore both for creators of copyright works and for users through photocopying of copyright works that some view is offered by authors and publishers of the nature of what is fair dealing with a book, journal, magazine or any other periodical and of the level of copying which they would regard as fair dealing – the level, that is, beyond which payment may be sought, or an infringement of copyright may take place.

The most important instance of ‘fair dealing’ in connection with the photocopying of books is that for the purposes of research or private study. Here, fair dealing is what the person using the book for the purposes of research or in the course of reading the work for private study may fairly be expected to do with it in the course of reading the work. This is interpreted by the British Copyright Council to mean that the reader may fairly copy out extracts for his or her own retention. As the Act contemplates, that copying may reasonably be done, to a fair extent by photocopying for the reader’s strictly personal use.

To assist users, the Society of Authors, the Writers’ Guild and the Publishers’ Association have indicated that, for the purposes of fair dealing for research or private study only, they would normally regard the following as fair dealing, if in all other respects the photocopying is within the scope of s 29 of the 1988 Act:

- photocopying by the reader for his or her own use of: one copy of a maximum of a complete single chapter in a book, or one copy of a maximum otherwise of 5% of a literary work.

(As always, poems, short stories and other short literary works must be regarded as whole works in themselves, and not as parts of the volumes in which they appear. In the case of poems and short stories published in such volumes, fair dealing for research or private study only will be taken to allow the copying of a short story or poem which does not exceed 10 pages in length.)

This formula has two considerable advantages – it is simple, and it reflects the way books are set out, ie in chapters.

The formula clearly balances a strictness of view overall, with a generosity of view on the need to allow, for research or private study, the copying for personal use of the treatment of a topic as a whole. This is often represented by a whole chapter of a book which may occupy considerably more than 5% in length of the total book.

The announcement in 1965 by the Society of Authors and the Publishers’ Association about the amount of photocopying which they would not regard as unfair did not apply to the copying of entire articles in periodicals, to which the special provisions in s 7 of the Copyright Act 1956 applied. Those special provisions are substantially repeated in the 1988 Act, and the Society of Authors, the Publishers’ Association, and now, the Writers’ Guild have not changed their view. The very fact that prescribed libraries alone are given the right to operate the library privileges and
under very strict conditions, suggests strongly that fair dealing does not encompass in any way the copying of an entire article from a periodical. Section 29(3)(a) is very carefully worded in the negative, and neither states nor implies that copying which is undertaken by librarians of prescribed libraries is also fair dealing. See, however, on this important issue 3.1.3.

3.2.2 Copying by libraries prescribed under ss 38 and 39 (the ‘library privileges’)

Sections 38, 39 and 40 of the 1988 Act permit librarians of certain libraries to make single copies of copyright works for certain uses subject to certain conditions. The libraries to which this special facility is available are prescribed in regulations made by the Department of Trade and industry under the Act – the Copyright (Librarians and Archivists) (Copying of Copyright Material) Regulations 1989, SI 1989/1212. Generally speaking, prescribed libraries are public libraries and libraries operated by schools or other educational establishments or which are otherwise open to the use of the public and are not conducted for profit. Regulation 3(5) states that ‘conducted for profit’, in relation to a library or archives, means a library or archive which is established or conducted for profit or which forms part of or is administered by a body established or conducted for profit. Thus, prescribed libraries do not include, for example, libraries of commercial organisations.

The sections authorise librarians in prescribed libraries to make and supply a single copy of:

- a single article from a periodical publication (s 38); single extracts of up to a ‘reasonable proportion’ of other literary, dramatic or musical works, eg published books (s 39).

Note: the extent of a ‘reasonable proportion’ of a work other than a journal article has never been defined. A ‘rule of thumb’ maximum figure of 10% is suggested for these particular library privileges purposes.

These copies may only be supplied if conditions set out in the regulations are fulfilled, viz:

- the copy is genuinely required for purposes of research or private study, and the person to whom it is supplied completes a statutory declaration in the following terms (schedule 2, Form A of the regulations):

  ‘I declare that:
  
  I have not previously been supplied with a copy of the same material by you or any other libraries,
  
  I will not use the copy except for research or private study and will not supply a copy of it to any other person; and
  
  To the best of my knowledge no other person with whom I work or study has made or intends to make, at or about the same time as this request, a request for substantially the same material for substantially the same purpose.’

(This part of the declaration fulfils the terms of s 40 of the Act, which is intended to prevent the production of multiple copies of the same material.
under the guise of library privilege, a practice frequently called ‘systematic

* in the case of articles from periodicals, no copy may extend to more than

* in the case of any other work, no copy may extend to more than a

* the library is required to charge ‘not less than the cost (including a

Note: some prescribed libraries, notably the British Library, may also offer

3.2.3 Copying for purposes of instruction or examination

Section 32 of the 1988 Act only authorises the making of copies of a work

* copying in the course of instruction or of preparation of instruction done

* copying done ‘for the purposes of an examination by way of setting the

Examination boards cannot themselves sell or hire out examination papers

Note: for instructional purposes which do not involve publication, one slide

3.2 contains several formulae and suggestions from the British Copyright

The notion of fair dealing creates problems. US law uses the notion of fair use,

which seems to be slightly clearer though the amount of literature on the

subject suggests that it still leaves much to be desired. What the expression in

this country means was considered by Lord Denning in Hubbard v Vosper

[1972] 2 QB 84 – perhaps the first in a now-extensive body of case law

resulting from copyright and confidentiality suits brought by the

Scientologists. The defendant wrote a critical book about the Church of

Scientology in which he quoted extensively from the works of L Ron

Hubbard, the founder of the movement. The plaintiff sought an interlocutory
injunction, which was refused, and appealed to the Court of Appeal. Lord Denning MR, who had to decide whether the plaintiff had a good arguable case, accepted that Mr Hubbard’s works were protected by copyright as literary works, and went on:

In writing *The Mind Benders* Mr Vosper has made free use of Mr Hubbard’s books, letters and bulletins. He has taken very little from some, but from others he has taken very substantial parts. For instance, he has taken quite big extracts from the *Introduction to Scientology Ethics* and put them in his book ... The parts are so substantial that Mr Vosper will be guilty of infringement of copyright unless he can make good his defence. And his defence is that his use of them is fair dealing within s 6(2) of the Copyright Act 1956 [which is in substantially the same terms as s 30 of the 1988 Act]. This says:

No fair dealing with a literary, dramatic or musical work shall constitute an infringement of copyright in the work if it is for purposes of criticism or review, whether of that work or of another work, and is accompanied by a sufficient acknowledgment.

The last words of the section are satisfied. At the end of his book Mr Vosper said: ‘Quotations are used from the following books by L Ron Hubbard’ – setting them out.

The question is, therefore, whether Mr Vosper’s treatment of Mr Hubbard’s books was a ‘fair dealing’ with them ‘for the purposes of criticism or review’. There is very little in our law books to help on this. Some cases can be used to illustrate what is not ‘fair dealing’. It is not fair dealing for a rival in the trade to take copyright material and use it for his own benefit, such as when *The Times* published a letter on America by Rudyard Kipling. The *St James’ Gazette* took out half-a-dozen passages and published them as extracts. This was held to be an infringement. See *Walter v Steinkopff* [1892] 3 Ch 389. So also when the University of London published examination papers: the Tutorial Press took several of the papers and published them in their own publication for the use of students. It was held to be an infringement. See *University of London v University Tutorial Press Ltd* [1916 2 Ch 601. Likewise when a band played 20 bars of ‘Colonel Bogey’ – to entertain hearers – it was not fair dealing. See *Hawkes & Son (London) Ltd v Paramount Film Service Ltd* [1934] Ch 593.

In this case Mr Vosper has taken considerable extracts from Mr Hubbard’s works and has commented freely upon them ...

Mr Pain for Mr Hubbard says that what Mr Vosper has done is to take important parts of Mr Hubbard’s book and explain and amplify them. That, he says, is not fair dealing. Mr Caplan for Mr Vosper says that Mr Vosper has, indeed, taken important parts of Mr Hubbard’s book, but he has done it so as to expose them to the public, and to criticise them and condemn them. That, he says, is fair dealing.

It is impossible to define what is meant by ‘fair dealing.’ It must be a question of degree. You must consider first the number of quotations and extracts. Are they altogether too long to be fair? Then you must consider the use made of them. If they are used as a basis for comment, criticism or review, that may be fair dealing. If they are used to convey the same information as the author, for
a rival purpose, that may be unfair. Next, you must consider the proportions. To take long extracts and attach short comments may be unfair. But, short extracts and long comments may be fair. Other considerations may come to mind also. But, after all is said and done, it must be a matter of impression. As with fair comment in the law of libel, so with fair dealing in the law of copyright. The Tribunal of fact could find this to be fair dealing.

Mr Pain took, however, another point. He said that the defence of ‘fair dealing’ only avails a defendant when he is criticising or reviewing the plaintiff’s literary work. It does not avail a defendant, said Mr Pain, when he is criticising or reviewing the doctrine or philosophy underlying the plaintiff’s work. In support of this proposition, Mr Pain relied upon the words of Romer J in British Oxygen Co Ltd v Liquid Air Ltd [1925] Ch 383, 393.

I am inclined to agree with Mr Upjohn that, in this proviso [as to ‘fair dealing’] the word ‘criticism’ means a criticism of the work as such. But, when you refer back to Mr Upjohn’s arguments, you will see that all he means is that the criticism must be a criticism of the plaintiff’s work, and not of the plaintiff’s conduct.

I do not think that this proviso is confined as narrowly as Mr Pain submits. A literary work consists, not only of the literary style, but also of the thoughts underlying it, as expressed in the words. Under the defence of ‘fair dealing’ both can be criticised. Mr Vosper is entitled to criticise not only the literary style but also the doctrine or philosophy of Mr Hubbard as expanded in the books.

Mr Pain took yet another point. This was on the bulletins and letters. These, he said, were not published to the world at large, but only to a limited number of other people and, in particular, to those who took classes in Scientology. He said that, whilst it might be ‘fair dealing’ to criticise the books, it was not ‘fair dealing’ to take extracts from these bulletins and letters and criticise them. He quoted again the words of Romer J in British Oxygen Co Ltd v Liquid Air Ltd:

... it would be manifestly unfair that an unpublished literary work should, without the consent of the author, be the subject of public criticism, review or newspaper summary. Any such dealing with an unpublished literary work would not, therefore, in my opinion, be a ‘fair dealing’ with the work.

I am afraid I cannot go all the way with those words of Romer J. Although a literary work may not be published to the world at large, it may, however, be circulated to such a wide circle that it is ‘fair dealing’ to criticise it publicly in a newspaper or elsewhere. This happens sometimes when a company sends a circular to the whole body of shareholders. It may be of such general interest that it is quite legitimate for a newspaper to make quotations from it, and to criticise them – without thereby being guilty of infringing copying. The newspaper must, of course, be careful not to fall foul of the law of libel. So also here, these bulletins and letters may have been so widely circulated that it was perfectly ‘fair dealing’ for Mr Vosper to take extracts from them and criticise them in his book.

It seems to me, therefore, that Mr Vosper may have a good defence of ‘fair dealing’ to raise at the trial.
The injunction in that case was therefore rightly refused. Special permitted acts apply in the case of computer programs. They are excluded from the provisions about fair dealing, and instead new sections are added to the Copyright, Designs and Patents Act by the Copyright (Computer Programs) Regulations 1993 (SI No 3233), which implement the EC directive on the legal protection of computer programs [1991] OJL 122/42 which provides:

**Article 5 – Exceptions to the restricted acts**

1. In the absence of specific contractual provisions, the acts referred to in Article 4 (a) and (b) shall not require authorisation by the rightholder where they are necessary for the use of the computer program by the lawful acquirer in accordance with its intended purpose, including for error correction.

2. The making of a back-up copy by a person having a right to use the computer program may not be prevented by contract in so far as it is necessary for that use.

3. The person having a right to use a copy of a computer program shall be entitled, without the authorisation of the rightholder, to observe, study or test the functioning of the program in order to determine the ideas and principles which underlie any element of the program if he does so while performing any of the acts of loading, displaying, running, transmitting or storing the program which he is entitled to do.

**Article 6 – Decompilation**

1. The authorisation of the rightholder shall not be required where reproduction of the code and translation of its form within the meaning of Article 4 (a) and (b) are indispensable to obtain the information necessary to achieve the interoperability of an independently created computer program with other programs, provided that the following conditions are met:
   
   (a) these acts are performed by the licensee or by another person having a right to use a copy of a program, or on their behalf by a person authorised to do so;
   (b) the information necessary to achieve interoperability has not previously been readily available to the persons referred to in subparagraph (a); and
   (c) these acts are confined to the parts of the original program which are necessary to achieve interoperability.

2. The provisions of paragraph 1 shall not permit the information obtained through its application:
   (a) to be used for goals other than to achieve the interoperability of the independently created computer program;
   (b) to be given to others, except when necessary for the interoperability of the independently created computer program; or
   (c) to be used for the development, production or marketing of a computer program substantially similar in its expression, or for any other act which infringes copyright.
3. In accordance with the provisions of the Berne Convention for the protection of literary and artistic works, the provisions of this article may not be interpreted in such a way as to allow its application to be used in a manner which unreasonably prejudices the rightholder’s legitimate interests or conflicts with a normal exploitation of the computer program.

LICENSING

Collective administration – or wholesale supply\(^5\) – of copyright began in the UK in 1914 with the establishment of the Performing Rights Society Ltd (PRS). In Europe, the practice dates back to the mid-19th century.\(^6\) The development of collective enforcement parallels the relative change in importance of the performing right compared with the sale of sheet music. The introduction of the gramophone and later of the radio made performing rights more valuable to composers and publishers.

It became obvious that no individual composer or publishing house would be able to keep track of the many performances throughout the world which they had the power to control,\(^7\) and performing rights societies sprang up in ‘practically every civilised country in the international copyright community’\(^8\) during the 1920s.

Collective enforcement is designed to relieve copyright owners of the need to take individual action to exploit their copyright. Instead, rights owners in a given field (e.g., composers or record companies) may combine to offer the use of the works under their control without specific advance consent, for which the user of the work will have to pay a fee and comply with other terms of the licence.

Rights owners assign their rights to a collecting society\(^9\) such as PRS. It negotiates terms with and grants licences to users, who pay fees to the society.

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\(^5\) In a paper to a seminar on Collective Administration of Rights organised jointly by the British Literary and Artistic Copyright Association and the Common Law Institute for Intellectual Property in London on 8 March 1990, entitled ‘Function and Recent Developments of Continental Copyright Societies’, Dr Walter Dillenz, of the Austrian collecting society AKM, quoted a friend of his who summed up the explanation given to him of that society’s activities by saying: ‘So you sell copyright wholesale’.


\(^7\) The MMC Report on Collective Licensing of December 1988 discussed briefly the feasibility of a free market; see paras 7.9–7.11. Doing away with collective licensing could result in greater diversity in the licences offered, and improve choice for owners and users, but the chances of it happening were clearly small.

\(^8\) Freegard, 1986, p 2.

\(^9\) The expression Reproduction Rights Organisation (RRO) has been coined to describe collecting societies set up for the purpose of licensing the right to reproduce literary works. See, for example, ‘Collective Administration of Literary Works – Principles and Practice: The British Experience’, by Charles Clark and Colin Hadley, 1990, published by the Copyright Licensing Agency.
for the privilege of using the copyright material. After it has deducted its administration costs the society’s revenues are then distributed to the members of the society according to an agreed formula.

Collecting societies also undertake tasks such as enforcing rights through the courts. The distribution of the society’s revenue requires that detailed records are maintained, entailing much information gathering from users and a sampling system. From this necessity stems the frequently heard argument that collecting societies are undesirable because they siphon off so much of their members’ royalty income in administrative expenditure.\textsuperscript{10}

Not only is such an arrangement convenient for rights owners; it is also convenient for the users of the work who do not have to seek advance consent from rights owners. Since some users may be availing themselves of the work of a number of rights owners this can save a great deal of effort.

Similarly, there is no need for rights owners to monitor every use of their works throughout the world. While, according to Freegard,\textsuperscript{11} ‘it is ... self-evident that the individual administration by a copyright owner of his rights is almost always preferable to the collective administration of those rights ...’ for many rights owners, membership of the collecting society may be the only practicable way of enforcing their rights at all. Many collecting societies have reciprocal arrangements with their opposite numbers abroad and act as agents for foreign societies in the UK.

The principal functions of collecting societies are to license the use of the copyrights they manage; to monitor that use and enforce the conditions of the licence; and to collect and distribute the royalties due to their members. Licensing includes negotiating with prospective users and is therefore invariably contentious.

One of the main themes, if not the main theme, of the 1988 reform of copyright law has been a move away from the granting of enforceable prohibitive rights towards a right to receive remuneration for the exploitation of certain works. Collecting societies therefore enjoy a much enhanced rôle under the new legislation. The provisions in the new Act dealing with licensing schemes, licensing bodies and the Copyright Tribunal are basically a restatement and expansion of the equivalent provisions in the 1956 Act. That Act set up the Performing Right Tribunal to determine disputes between licensing bodies and users over collectively operated licensing schemes.

Just as the gramophone and the radio provided the spur to the establishment of performing right societies, and later societies for the enforcement of ‘mechanical rights’, rapid technological change underlies the new moves towards collective enforcement. As Freegard says, ‘... collective

\textsuperscript{10} This argument, it has always seemed to me, discounts the fact that but for the collecting society that royalty income would probably not have been available.

\textsuperscript{11} \textit{Op cit}, p 2.
administration techniques now need to be applied not only to the licensing of
rights in music, but right across the spectrum of copyright protection.”12
Collective administration is therefore now spreading rapidly into new areas.
The most important example is the offer of blanket licences for the
photocopying of published material by the Copyright Licensing Agency,
which was established in 1983.13 A survey carried out by Michael Freegard in
1985 revealed the surprising extent to which non-musical rights were the
subject of collective enforcement.14

By their very nature, collecting societies are monopolistic and the
government took the view that controls were needed to ensure that the
societies could not abuse their market power. This was the rationale for
establishing the Performing Right Tribunal in 1956, and in 1988 for extending
its jurisdiction.

The Tribunal’s jurisdiction covered licences for public performances,
broadcasting and inclusion of works in cable programmes. The 1988 Act, as
promised by the White Paper, extends this to cover disputes over licensing
schemes operated or proposed by collecting societies in all areas of copyright.

The 1956 Act did not permit the Tribunal to initiate enquiries on its own
account. Neither does the 1988 Act, but provision is now made for action to be
taken as a result of a Monopolies and Mergers Commission (MMC) report.

In December 1988, a month after the Act received royal assent, the MMC
published its report on collective licensing.15 It report provides an excellent
introduction to this complex subject and should be consulted by every student
of copyright. The terms of the reference precluded consideration of any
licensing body except Phonographic Performance Ltd (PPL), but many of the
matters examined were of universal application. The MMC found that
collective licensing should provide a mechanism so that payment of the
required royalty:
(a) guarantees users immediate access to the licensor’s repertoire;
(b) keeps to a minimum the administrative costs incurred by users and
owners;
(c) provides for the use of copyright of recordings that have yet to be made
(and hence are of unknown value); and

12 Ibid.
13 It was incorporated as a non-profit making company limited by guarantee in January 1983
and issued its first licence in May 1984. The CLA is owned by its two members, the
Authors’ Licensing and Collecting Society and the Publishers’ Licensing Society. In
addition to this example, Dillenz noted (op cit) that in Germany there were now nine
copyright societies active in granting licences; three of them administer film rights and of
one these specialises in pornographic films. His point was that the question of the
administration of rights can be subdivided almost ad infinitum.
14 ‘Collective Administration; the Relationship between Authors’ Organisations and Users of
15 See n 2 above.
Chapter 7 of the Act deals with licensing schemes and licensing bodies and has been described as being 'byzantine' in its complexity. It is aimed at collective licensing, control of which is considered necessary because of the scope it offers for monopolisation. The offer of a licence to exploit a package of works is open to abuse; if a user can only obtain a licence to use a work if he also accepts a licence to use another quite different one, that constitutes an abuse unless the terms are reasonable. It is not necessary for a scheme to cover the works of many authors for a potential abuse to arise.

Chapter 7 seeks to prevent this sort of abuse taking place. It does this by giving the Copyright Tribunal (an extended version of the former Performing Rights Tribunal) jurisdiction over collective licensing, whether by way of licensing schemes or one-off licences granted by licensing bodies. Schemes and licences may be referred to the Tribunal for determination of the reasonableness of their terms and for orders to be made concerning the use of works covered by them – and, sometimes, works not covered by them.

Chapter 7 also provides for licensing schemes to be certified by the Secretary of State. This amounts to little more than an acknowledgment of their existence, which is sufficient under certain permitted use provisions in Chapter 3 of the Act to remove the right to make copies free of charge.

The Act now (as a result of amendments made in the Broadcasting Act 1990) also covers the problem of needletime restrictions – the subject of the MMC report referred to above, and a long-standing source of tension between the owners of copyright in sound recordings and broadcasters. However, the provisions dealing with this are not included here, in the interests of keeping things within manageable proportions.

Chapter 7 starts by defining the sort of schemes to which it applies:

**Section 116: Licensing schemes and licensing bodies**

1. In this part a ‘licensing scheme’ means a scheme setting out:
   a. the classes of case in which the operator of the scheme, or the person on whose behalf he acts, is willing to grant copyright licences; and
   b. the terms on which licences would be granted in those classes of case;
   and for this purpose a ‘scheme’ includes anything in the nature of a scheme, whether described as a scheme or as a tariff or by any other name.

2. In this chapter a ‘licensing body’ means a society or other organisation which has as its main object, or one of its main objects, the negotiation or granting, either as owner or prospective owner of copyright or as agent for him, of copyright licences, and whose objects include the granting of licences covering works of more than one author.

16 Para 7.12. Charles Clark has propounded eight principles to guide the activities of RROs, which he described in a paper delivered at the BLACA/CLIP seminar mentioned in n 3 above. See also the work cited at n 7 above.

In this section ‘copyright licences’ means licences to do, or authorise the doing of, any of the acts restricted by copyright.

References in this chapter to licences or licensing schemes covering works of more than one author do not include licences or schemes covering only:

(a) a single collective work or collective works of which the authors are the same; or

(b) works made by, or by employees of or commissioned by, a single individual, firm, company or group of companies.

For this purpose a group of companies means a holding company and its subsidiaries, within the meaning of s 736 of the Companies Act 1985.

Section 117: Licensing schemes to which ss 118 to 123 apply
Sections 118–23 (references and applications with respect to licensing schemes) apply to:

(a) licensing schemes operated by licensing bodies in relation to the copyright in literary, dramatic, musical or artistic works or films (or film soundtracks when accompanying a film) which cover works of more than one author, so far as they relate to licences for:

(1) copying the work;

(2) performing, playing or showing the work in public; or

(3) broadcasting the work or including it in a cable programme service;

(b) all licensing schemes in relation to the copyright in sound recordings (other than film sound-tracks when accompanying a film), broadcasts or cable programmes, or the typographical arrangement of published editions; and

(c) all licensing schemes in relation to the copyright in sound recordings, films or computer programs so far as they relate to licences for the rental of copies to the public;

and in those sections ‘licensing scheme’ means a licensing scheme of any of those descriptions.

It provides for control of such schemes by the Copyright Tribunal, to which they may be referred:

Section 118: Reference of proposed licensing scheme to Tribunal

(1) The terms of a licensing scheme proposed to be operated by a licensing body may be referred to the Copyright Tribunal by an organisation claiming to be representative of persons claiming that they require licences in cases of a description to which the scheme would apply, either generally or in relation to any description of case.

(2) The Tribunal shall first decide whether to entertain the reference, and may decline to do so on the ground that the reference is premature.

(3) If the Tribunal decides to entertain the reference it shall consider the matter referred and make such order, either confirming or varying the proposed scheme, either generally or so far as it relates to cases of the description to
which the reference relates, as the Tribunal may determine to be reasonable in the circumstances.

(4) The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

Section 119: Reference of licensing scheme to Tribunal

(1) If while a licensing scheme is in operation a dispute arises between the operator of the scheme and:
   (a) a person claiming that he requires a licence in a case of a description to which the scheme applies; or
   (b) an organisation claiming to be representative of such persons;

that person or organisation may refer the scheme to the Copyright Tribunal in so far as it relates to cases of that description.

(2) A scheme which has been referred to the Tribunal under this section shall remain in operation until proceedings on the reference are concluded.

(3) The Tribunal shall consider the matter in dispute and make such order, either confirming or varying the scheme so far as it relates to cases of the description to which the reference relates, as the Tribunal may determine to be reasonable in the circumstances.

(4) The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

Schemes can be referred to the Tribunal again, after a previous reference has been dealt with, for certain purposes:

Section 120: Further reference of scheme to Tribunal

(1) Where the Copyright Tribunal has on a previous reference of a licensing scheme under s 118 or 119, or under this section, made an order with respect to the scheme, then, while the order remains in force:
   (a) the operator of the scheme;
   (b) a person claiming that he requires a licence in a case of the description to which the order applies; or
   (c) an organisation claiming to be representative of such persons,

may refer the scheme again to the Tribunal so far as it relates to cases of that description.

(2) A licensing scheme shall not, except with the special leave of the Tribunal, be referred again to the Tribunal in respect of the same description of cases:
   (a) within 12 months from the date of the order on the previous reference; or
   (b) if the order was made so as to be in force for 15 months or less, until the last three months before the expiry of the order.

(3) A scheme which has been referred to the Tribunal under this section shall remain in operation until proceedings on the reference are concluded.
The Tribunal shall consider the matter in dispute and make such order, either confirming, varying or further varying the scheme so far as it relates to cases of the description to which the reference relates, as the Tribunal may determine to be reasonable in the circumstances.

The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

The purpose of the provisions is to ensure that where a scheme has been set up, it is open to all who might want to take a licence. Anyone wishing to play recorded music in their restaurant or shop, for example, needs a licence from the Performing Rights Society, and the Act sets out how such licences should be applied for and provides a way of dealing with refusals to grant licences:

Section 121: Application for grant of licence in connection with licensing scheme

(1) A person who claims, in a case covered by a licensing scheme, that the operator of the scheme has refused to grant him or procure the grant to him of a licence in accordance with the scheme, or has failed to do so within a reasonable time after being asked, may apply to the Copyright Tribunal.

(2) A person who claims, in a case excluded from a licensing scheme, that the operator of the scheme either:

(a) has refused to grant him a licence or procure the grant to him of a licence, or has failed to do so within a reasonable time of being asked, and that in the circumstances it is unreasonable that a licence should not be granted; or

(b) proposes terms for a licence which are unreasonable,

may apply to the Copyright Tribunal.

(3) A case shall be regarded as excluded from a licensing scheme for the purposes of subsection (2) if:

(a) the scheme provides for the grant of licences subject to terms excepting matters from the licence and the case falls within such an exception; or

(b) the case is so similar to those in which licences are granted under the scheme that it is unreasonable that it should not be dealt with in the same way.

(4) If the Tribunal is satisfied that the claim is well-founded, it shall make an order declaring that, in respect of the matters specified in the order, the applicant is entitled to a licence on such terms as the Tribunal may determine to be applicable in accordance with the scheme or, as the case may be, to be reasonable in the circumstances.

(5) The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

Section 122: Application for review of order as to entitlement to licence

(1) Where the Copyright Tribunal has made an order under s 121 that a person is entitled to a licence under a licensing scheme, the operator of the
scheme, or the original applicant may apply to the Tribunal to review its order.

(2) An application shall not be made, except with the special leave of the Tribunal:

(a) within 12 months from the date of the order, or of the decision on a previous application under this section; or

(b) if the order was made so as to be in force for 15 months or less, or as a result of the decision on a previous application under this section is due to expire within 15 months of that decision, until the last three months before the expiry date.

(3) The Tribunal shall on an application for review confirm or vary its order as the Tribunal may determine to be reasonable having regard to the terms applicable in accordance with the licensing scheme or, as the case may be, the circumstances of the case.

Section 123 deals with the effect of an order of the Tribunal concerning a licensing scheme that has been referred to it under the provisions mentioned above:

(1) A licensing scheme which has been confirmed or varied by the Copyright Tribunal:

(a) under s 118 (reference of terms of proposed scheme); or

(b) under s 119 or 120 (reference of existing scheme to Tribunal),

shall be in force or, as the case may be, remain in operation, so far as it relates to the description of case in respect of which the order was made, so long as the order remains in force.

(2) While the order is in force a person who in a case of a class to which the order applies:

(a) pays to the operator of the scheme any charges payable under the scheme in respect of a licence covering the case in question or, if the amount cannot be ascertained, gives an undertaking to the operator to pay them when ascertained; and

(b) complies with the other terms applicable to such a licence under the scheme,

shall be in the same position as regards infringement of copyright as if he had at all material times been the holder of a licence granted by the owner of the copyright in question in accordance with the scheme.

(3) The Tribunal may direct that the order, so far as it varies the amount of charges payable, has effect from a date before that on which it is made, but not earlier than the date on which the reference was made or, if later, on which the scheme came into operation.

If such a direction is made:

(a) any necessary repayments or further payments, shall be made in respect of charges already paid; and
(b) the reference in subsection (2)(a) to the charges payable under the scheme shall be construed as a reference to the charges so payable by virtue of the order.

No such direction may be made where subsection (4) below applies.

(4) An order of the Tribunal under s 119 or 120 made with respect to a scheme which is certified for any purpose under s 143 has effect, so far as it varies the scheme by reducing the charges payable for licences, from the date on which the reference was made to the Tribunal.

(5) Where the Tribunal has made an order under s 121 (order as to entitlement to licence under licensing scheme) and the order remains in force, the person in whose favour the order is made shall if he:

(a) pays to the operator of the scheme any charges payable in accordance with the order or, if the amount cannot be ascertained, gives an undertaking to pay the charges when ascertained; and

(b) complies with the other terms specified in the order,

be in the same position as regards infringement of copyright as if he had at all material times been the holder of a licence granted by the owner of the copyright in question on the terms specified in the order.

Licences may be granted by licensing bodies otherwise than under licensing schemes. Schemes set out the principles on which licences are generally available: but collecting societies may also be able to grant individual licences over works in their repertoire.

Section 124: Licences to which ss 125–28 apply

Sections 125–28 (references and applications with respect to licensing by licensing bodies) apply to the following descriptions of licence granted by a licensing body otherwise than in pursuance of a licensing scheme:

(a) licences relating to the copyright in literary, dramatic, musical or artistic works or films (or film sound-tracks when accompanying a film) which cover works of more than one author, so far as they authorise:

(1) copying the work;

(2) performing, playing or showing the work in public; or

(3) broadcasting the work or including it in a cable programme service;

(b) any licence relating to the copyright in a sound recording (other than a film sound-track when accompanying a film), broadcast or cable programme, or the typographical arrangement of a published edition; and

(c) all licences in relation to the copyright in sound recordings, films or computer programs so far as they relate to the rental of copies to the public;

and in those sections a ‘licence’ means a licence of any of those descriptions.

Section 125: Reference to Tribunal of proposed licence

(1) The terms on which a licensing body proposes to grant a licence may be referred to the Copyright Tribunal by the prospective licensee.
The Tribunal shall first decide whether to entertain the reference, and may decline to do so on the ground that the reference is premature.

If the Tribunal decides to entertain the reference it shall consider the terms of the proposed licence and make such order, either confirming or varying the terms, as it may determine to be reasonable in the circumstances.

The order may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

Section 126: Reference to Tribunal of expiring licence

(1) A licensee under a licence which is due to expire, by effluxion of time or as a result of notice given by the licensing body, may apply to the Copyright Tribunal on the ground that it is unreasonable in the circumstances that the licence should cease to be in force.

(2) Such an application may not be made until the last three months before the licence is due to expire.

(3) A licence in respect of which a reference has been made to the Tribunal shall remain in operation until proceedings on the reference are concluded.

(4) If the Tribunal finds the application well-founded, it shall make an order declaring that the licensee shall continue to be entitled to the benefit of the licence on such terms as the Tribunal may determine to be reasonable in the circumstances.

(5) An order of the Tribunal under this section may be made so as to be in force indefinitely or for such period as the Tribunal may determine.

Section 127: Application for review of order as to licence

(1) Where the Copyright Tribunal has made an order under ss 125 or 126, the licensing body or the person entitled to the benefit of the order may apply to the Tribunal to review its order.

(2) An application shall not be made, except with the special leave of the Tribunal:

(a) within 12 months from the date of the order or of the decision on a previous application under this section; or

(b) if the order was made so as to be in force for 15 months or less, or as a result of the decision on a previous application under this section is due to expire within 15 months of that decision, until the last three months before the expiry date.

(3) The Tribunal shall on an application for review confirm or vary its order as the Tribunal may determine to be reasonable in the circumstances.

Section 128: Effect of order of Tribunal as to licence

(1) Where the Copyright Tribunal has made an order under s 125 or 126 and the order remains in force, the person entitled to the benefit of the order shall if he:

(a) pays to the licensing body any charges payable in accordance with the order or, if the amount cannot be ascertained, gives an undertaking to pay the charges when ascertained; and
(b) complies with the other terms specified in the order,
be in the same position as regards infringement of copyright as if he had at
tall material times been the holder of a licence granted by the owner of the
copyright in question on the terms specified in the order.

(2) The benefit of the order may be assigned:
(a) in the case of an order under s 125, if assignment is not prohibited
under the terms of the Tribunal’s order; and
(b) in the case of an order under s 126, if assignment was not prohibited
under the terms of the original licence.

(3) The Tribunal may direct that an order under s 125 or 126, or an order
under s 127 varying such an order, so far as it varies the amount of charges
payable, has effect from a date before that on which it is made, but not
earlier than the date on which the reference or application was made or, if
later, on which the licence was granted or, as the case may be, was due to
expire.

If such a direction is made:
(a) any necessary repayments or further payments, shall be made in
respect of charges already paid; and
(b) the reference in subsection (1)(a) to the charges payable in accordance
with the order shall be construed, where the order is varied by a later
order, as a reference to the charges so payable by virtue of the later
order.

The matters to be taken into account by the Tribunal in determining what is
reasonable and what is not in a licensing scheme or licence are set out in the
legislation.

Section 129: General considerations: unreasonable discrimination
In determining what is reasonable on a reference or application under this
chapter relating to a licensing scheme or licence, the Copyright Tribunal shall
have regard to:
(a) the availability of other schemes, or the granting of other licences, to other
persons in similar circumstances; and
(b) the terms of those schemes or licences,
and shall exercise its powers so as to secure that there is no unreasonable
discrimination between licensees, or prospective licensees, under the scheme
or licence to which the reference or application relates and licensees under
other schemes operated by, or other licences granted by, the same person.

Section 130: Licences for reprographic copying
Where a reference or application is made to the Copyright Tribunal under this
chapter relating to the licensing of reprographic copying of published literary,
dramatic, musical or artistic works, or the typographical arrangement of
published editions, the Tribunal shall have regard to:
(a) the extent to which published editions of the works in question are
otherwise available;
Section 131: Licences for educational establishments in respect of works
(1) This section applies to references or applications under this chapter relating to licences for the recording by or on behalf of educational establishments of broadcasts or cable programmes which include copyright works, or the making of copies of such recordings, for educational purposes.
(2) The Copyright Tribunal shall, in considering what charges (if any) should be paid for a licence, have regard to the extent to which the owners of copyright in the works included in the broadcast or cable programme have already received, or are entitled to receive, payment in respect of their inclusion.

Section 132: Licences to reflect conditions imposed by promoters of events
(1) This section applies to references or applications under this chapter in respect of licences relating to sound recordings, films, broadcasts or cable programmes which include, or are to include, any entertainment or other event.
(2) The Copyright Tribunal shall have regard to any conditions imposed by the promoters of the entertainment or other event; and, in particular, the Tribunal shall not hold a refusal or failure to grant a licence to be unreasonable if it could not have been granted consistently with those conditions.
(3) Nothing in this section shall require the Tribunal to have regard to any such conditions in so far as they:
   (a) purport to regulate the charges to be imposed in respect of the grant of licences; or
   (b) relate to payments to be made to the promoters of any event in consideration of the grant of facilities for making the recording, film, broadcast or cable programme.

Section 133: Licences to reflect payments in respect of underlying rights
(1) In considering what charges should be paid for a licence:
   (a) on a reference or application under this chapter relating to licences for the rental to the public of copies of sound recordings, films or computer programs; or
   (b) on an application under s 142 (settlement of royalty or other sum payable for deemed licence), the Copyright Tribunal shall take into account any reasonable payments which the owner of the copyright in the sound recording, film or computer program is liable to make in consequence of the granting of the licence, or of the acts authorised by the licence, to owners of copyright in works included in that work.
(2) On any reference or application under this chapter relating to licensing in respect of the copyright in sound recordings, films, broadcasts or cable programmes, the Copyright Tribunal shall take into account, in
considering what charges should be paid for a licence, any reasonable payments which the copyright owner is liable to make in consequence of the granting of the licence, or of the acts authorised by the licence, in respect of any performance included in the recording, film, broadcast or cable programme.

Section 134: Licences in respect of works included in retransmissions

(1) This section applies to references or applications under this chapter relating to licences to include in a broadcast or cable programme service:

(a) literary, dramatic, musical or artistic works; or

(b) sound recordings or films;

where one broadcast or cable programme (‘the first transmission’) is, by reception and immediate retransmission, to be further broadcast or included in a cable programme service (‘the further transmission’).

(2) So far as the further transmission is to the same area as the first transmission, the Copyright Tribunal shall, in considering what charges (if any) should be paid for licences for either transmission, have regard to the extent to which the copyright owner has already received, or is entitled to receive, payment for the other transmission which adequately remunerates him in respect of transmissions to that area.

(3) So far as the further transmission is to an area outside that to which the first transmission was made, the Tribunal shall (except where subsection (4) applies) leave the further transmission out of account in considering what charges (if any) should be paid for licences for the first transmission.

(4) If the Tribunal is satisfied that requirements imposed under s 13(1) of the Cable and Broadcasting Act 1984 (duty of Cable Authority to secure inclusion of certain broadcasts in cable programme services) will result in the further transmission being to areas part of which fall outside the area to which the first transmission is made, the Tribunal shall exercise its powers so as to secure that the charges payable for licences for the first transmission adequately reflect that fact.

Section 135: Mention of specific matters not to exclude other relevant considerations

The mention in ss 129–34 of specific matters to which the Copyright Tribunal is to have regard in certain classes of case does not affect the Tribunal’s general obligation in any case to have regard to all relevant considerations.

There would be little purpose in taking a licence if it did not give you an assurance that you would use the copyright works you wanted to use, without fear of being sued for infringement. It is of the essence of a licensing scheme, and licences granted by licensing bodies, that there should be an indemnity given to the licensee against actions for infringement. These provisions, however, apply only to licences for reprographic copying – that is, licences permitting copies to be made by photocopying or similar techniques. In other cases, the licence should specify with sufficient certainty what is included in the repertoire.
Section 136: Implied indemnity in certain schemes and licences for reprographic copying

(1) This section applies to:
   (a) schemes for licensing reprographic copying of published literary, dramatic, musical or artistic works, or the typographical arrangement of published editions; and
   (b) licences granted by licensing bodies for such copying,
   where the scheme or licence does not specify the works to which it applies with such particularity as to enable licensees to determine whether a work falls within the scheme or licence by inspection of the scheme or licence and the work.

(2) There is implied:
   (a) in every scheme to which this section applies an undertaking by the operator of the scheme to indemnify a person granted a licence under the scheme; and
   (b) in every licence to which this section applies an undertaking by the licensing body to indemnify the licensee,
   against any liability incurred by him by reason of his having infringed copyright by making or authorising the making of reprographic copies of a work in circumstances within the apparent scope of his licence.

(3) The circumstances of a case are within the apparent scope of a licence if:
   (a) it is not apparent from inspection of the licence and the work that it does not fall within the description of works to which the licence applies; and
   (b) the licence does not expressly provide that it does not extend to copyright of the description infringed.

(4) In this section ‘liability’ includes liability to pay costs; and this section applies in relation to costs reasonably incurred by a licensee in connection with actual or contemplated proceedings against him for infringement of copyright as it applies to sums which he is liable to pay in respect of such infringement.

(5) A scheme or licence to which this section applies may contain reasonable provision:
   (a) with respect to the manner in which, and time within which, claims under the undertaking implied by this section are to be made;
   (b) enabling the operator of the scheme or, as the case may be, the licensing body to take over the conduct of any proceedings affecting the amount of his liability to indemnify.

The Act provides for certain licensing schemes to be certified by the Secretary of State. The importance of certification is that, where it is provided for, the licensing scheme may displace the general permission given under the Act to do certain acts. This does not apply to permitted acts such as fair dealing for private study or research, but it covers a number of important matters. Most significant is the inclusion of rental of certain copyright works, a restricted act
first included in the 1988 Act and generally permitted until such time as a licensing scheme is established.

**Section 143: Certification of licensing schemes**

(1) A person operating or proposing to operate a licensing scheme may apply to the Secretary of State to certify the scheme for the purposes of:

(a) s 35 (educational recording of broadcasts or cable programmes);
(b) s 60 (abstracts of scientific or technical articles);
(c) s 66 (rental of sound recordings, films and computer programs);
(d) s 74 (subtitled copies of broadcasts or cable programmes for people who are deaf or hard of hearing); or
(e) s 141 (reprographic copying of published works by educational establishments).

(2) The Secretary of State shall by order made by statutory instrument certify the scheme if he is satisfied that it:

(a) enables the works to which it relates to be identified with sufficient certainty by persons likely to require licences; and
(b) sets out clearly the charges (if any) payable and the other terms on which licences will be granted.

(3) The scheme shall be scheduled to the order and the certification shall come into operation for the purposes of s 35, 60, 66, 74 or 141, as the case may be:

(a) on such date, not less than eight weeks after the order is made, as may be specified in the order; or
(b) if the scheme is the subject of a reference under s 118 (reference of proposed scheme), any later date on which the order of the Copyright Tribunal under that section comes into force or the reference is withdrawn.

(4) A variation of the scheme is not effective unless a corresponding amendment of the order is made; and the Secretary of State shall make such an amendment in the case of a variation ordered by the Copyright Tribunal on a reference under s 118, 119 or 120, and may do so in any other case if he thinks fit.

(5) The order shall be revoked if the scheme ceases to be operated and may be revoked if it appears to the Secretary of State that it is no longer being operated according to its terms.

Finally, to ensure that competition is not distorted by the unjustified exercise of copyright (as with other types of intellectual property) the Act contains a provision for the Secretary of State to act on adverse reports by the Monopolies and Mergers Commission:

**Section 144: Powers exerciseable in consequence of report of Monopolies and Mergers Commission**

(1) Where the matters specified in a report of the Monopolies and Mergers Commission as being those which in the Commission’s opinion operate,
may be expected to operate or have operated against the public interest include:

(a) conditions in licences granted by the owner of copyright in a work restricting the use of the work by the licensee or the right of the copyright owner to grant other licences; or

(b) a refusal of a copyright owner to grant licences on reasonable terms, the powers conferred by Part 1, Schedule 8 of the Fair Trading Act 1973 (powers exercisable for purpose of remedying or preventing adverse effects specified in report of Commission) include power to cancel or modify those conditions and, instead or in addition, to provide that licences in respect of the copyright shall be available as of right.

(2) The references in ss 56(2) and 73(2) of that Act, and ss 10(2)(b) and 12(5) of the Competition Act 1980, to the powers specified in that part of that schedule shall be construed accordingly.

(3) A minister shall only exercise the powers available by virtue of this section if he is satisfied that to do so does not contravene any convention relating to copyright to which the UK is a party.

(4) The terms of a licence available by virtue of this section shall, in default of agreement, be settled by the Copyright Tribunal on an application by the person requiring the licence; and terms so settled shall authorise the licensee to do everything in respect of which a licence is so available.

(5) Where the terms of a licence are settled by the Tribunal, the licence has effect from the date on which the application to the Tribunal was made.

Collective licensing has become an important technique for protecting the interests of copyright owners. New technologies have made it more and more difficult to exploit their works themselves: the imperatives that applied when collecting societies were first established in the early part of this century apply to many other copyright activities now. The Copyright Licensing Agency has created licensing schemes covering the educational sectors – photocopiers in your university library should have notices displayed by them, explaining the terms on which you are allowed by the CLA licence to make copies – and now also businesses and the legal profession. The following extract from the business licence is reproduced with the permission of CLA.

A2 GRANT OF LICENCE

In consideration of the licensee’s payment of the licence fee to the CLA and subject to the provisions of Clause 4 of this part [which deals with payments], the CLA as agent for the Authors’ Licensing and Collecting Society, the Publishers’ Licensing Society and the Reproduction Rights Organisations in the overseas Mandating Territories by the issue of the licence certificate, duly signed and stamped, grants the licence to the licensee.

... 7 LIMITATIONS

A7.1 It is a condition of this licence that no copy shall exceed the greater of 5% of any published volume or issue, or
a) in the case of a periodical publication, one whole article not exceeding 30 pages in length in any single issue;
b) in the case of judicial proceedings, the entire report of a single case; or
c) in the case of a book, one chapter not exceeding 30 pages in length.

A7.2 For the purposes of subclause 7.1 of this clause, copies taken from the same material in connection with any single occasion or purpose shall be treated as one copy and the limits to extent shall be treated accordingly.

A7.3 The licensee shall not take more than nine (9) copies of the same material in connection with any single occasion or purpose.

A7.4 The licence does not extend to the making of copies from originals which are themselves copies of the original published editions, whether such copies are made under the terms of this licence, under the terms of any other licence or by virtue of any statutory provision.

A7.5 No copies shall be sold, hired out or otherwise disposed of for valuable consideration.

A7.6 The licensee may ask the CLA to obtain clearance for copying amounts greater than those specified in this clause or for purposes other than those permitted by the licence through the CLA Rapid Clearance Service (CLARCS). Such clearance is, however, subject to the consent of the copyright holder and to the terms and conditions which may be imposed.

8 EXPRESS INDEMNITY

A8.1 In the case of any claim, the CLA will indemnify the licensee in respect of all reasonable and proper legal costs, expenses and damages (and ex gratia payments made with the prior written consent of the CLA) awarded against or incurred by the licensee. For the purposes of this clause, ‘claim’ shall mean any claim made in writing that the licensee acting in pursuance of the licence has infringed copyright in licensed material.

A8.2 The indemnity conferred by paragraph 8.1 of this clause will not apply:

a) if the licensee has not complied with the terms of the licence in respect of the copying subject to the claim; or

b) if the licensee has not given the CLA full notice of any claim within ten (10) working days of the same having been received by the licensee.

A8.3 The CLA will take over responsibility for any negotiations for the settlement of any claim and if such claim cannot be resolved by negotiation the CLA shall assume full responsibility for the conduct of the defence of such claim.

A8.4 The CLA shall consult with the licensee prior to the conclusion of any negotiations on the settlement of any claim and if such claim cannot be resolved by negotiation the CLA’s overall responsibility for the conduct of the defence of any action) take into account such views and comments as the licensee may make.

A8.5 The licensee shall use all reasonable endeavours to ensure that every relevant letter, claim, writ, summons and process received by it shall immediately be forwarded to the CLA and shall ensure that no admission, offer, promise, payment, or indemnity shall be made or given on its behalf or on behalf of CLA without the CLA’s written consent.
Before leaving collective licensing, we should consider another area where the technique is given legislative force: the cable retransmission of broadcasts. Because cable retransmissions are usually simultaneous, being concerned with overcoming reception problems rather than with the creation of a new broadcast, a method of getting automatic permission to use the broadcast material is essential for the cable operator’s peace of mind. The EC directive on satellite broadcasting and cable transmissions makes collective licensing the norm for this activity, and also insists that dispute resolution procedures are set up to ensure that operators are not disadvantaged by having licences refused.


Chapter 3 – Cable Retransmission

Article 8 – Cable Retransmission Right

1. Member States shall ensure that when programmes from other Member States are retransmitted by cable in their territory the applicable copyright and related rights are observed and that such retransmission takes place on the basis of individual or collective contractual agreements between copyright owners, holders of related rights and cable operators.

2. Notwithstanding paragraph 1, Member States may retain until 31 December 1997 such statutory licence systems which are in operation or expressly provided for by national law on 31 July 1991.

Article 9 – Exercise of the cable retransmission right

1. Member States shall ensure that the right of copyright owners and holders or related rights to grant or refuse authorisation to a cable operator for a cable retransmission may be exercised only through a collecting society.

2. Where a rightholder has not transferred the management of his rights to a collecting society, the collecting society which manages rights of the same category shall be deemed to be mandated to manage his rights. Where more than one collecting society manages rights of that category, the right holder shall be free to choose which of those collecting societies is deemed to be mandated to manage his rights. A rightholder referred to in this paragraph shall have the same rights and obligations resulting from the agreement between the cable operator and the collecting society which is deemed to be mandated to manage his rights as the rightholders who have mandated that collecting society and he shall be able to claim those rights within a period, to be fixed by the Member State concerned, which shall not be shorter than three years from the date of the cable retransmission which includes his work or other protected subject-matter.

3. A Member State may provide that, when a rightholder authorises the initial transmission within its territory of a work or other protected subject-matter, he shall be deemed to have agreed not to exercise his cable retransmission rights on an individual basis but to exercise them in accordance with the provisions of this directive.
Article 10 – Exercise of the cable retransmission right by broadcasting organisations

Member States shall ensure that Article 9 does not apply to the rights exercised by a broadcasting organisation in respect of its own transmission, irrespective of whether the rights concerned are its own or have been transferred to it by other copyright owners and/or holders of related rights.

Article 11 – Mediators

1. Where no agreement is concluded regarding authorisation of the cable retransmission of a broadcast, Member States shall ensure that either party may call upon the assistance of one or more mediators.
2. The task of the mediators shall be to provide assistance with negotiation. They may also submit proposals to the parties.
3. It shall be assumed that all the parties accept a proposal as referred to in paragraph 2 if none of them expresses its opposition within a period of three months. Notice of the proposal and of any opposition thereto shall be served on the parties concerned in accordance with the applicable rules concerning the service of legal documents.
4. The mediators shall be so selected that their independence and impartiality are beyond reasonable doubt.

Article 12 – Prevention of the abuse of negotiating positions

1. Member States shall ensure by means of civil or administrative law, as appropriate, that the parties enter and conduct negotiations regarding authorisation for cable retransmission in good faith and do not prevent or hinder negotiation without valid justification.
2. A Member State which, on the date mentioned in Article 14(1), has a body with jurisdiction in its territory over cases where the right to retransmit a programme by cable to the public in that Member State has been unreasonably refused or offered on unreasonable terms by a broadcasting organisation may retain that body.
3. Paragraph 2 shall apply for a transitional period of eight years from the date mentioned in Article 14(1).

Moral rights

The Universal Declaration of Human Rights recognises that moral rights are deserving of protection, along with the ‘economic rights’ traditionally protected under the UK’s copyright legislation:

Everyone has the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.\(^{18}\)

\(^{18}\) Article 27 of the UN Universal Declaration of Human Rights.
Although the introduction of the new rights was questioned by some, they were generally recognised as a useful addition to the rights enjoyed by authors:

The question of moral rights intrigues me. In the English language, to talk about moral rights is almost a contradiction in terms. We know in law what is a legal right. As to moral rights, we are speaking of something which cannot be enforced in law. I do not like the title ‘moral rights’. It comes somewhere from the French. On the other hand, a good and new right is established by the Bill, enabling the author to have stated on the reproduced work that it is that of Mr A, Mr B, or whoever. His name appears on the work; it is attributed to him; he is identified with it. It is a right he should have. It should not be whittled down by the qualification that he must first claim it. An important new right is being introduced into our law.19

The introduction of moral rights into UK law is one of the major new departures in the 1988 Act. In Continental Europe the division of authors’ rights into economic rights and moral rights (the first to enable him to earn money, the second to protect his reputation) has long been recognised. There, creative rights were historically viewed as the expression of the personality of their creator, not merely as a form of property. Consequently a moral right existed alongside the economic right of the author, both expressed in copyright law.

In many countries moral rights are inalienable. French law grandiloquently declares that moral rights are ‘perpetual, inalienable, and imprescriptable’.20 Professor Plaisant asserts that ‘French law is almost alone in declaring inalienability, although in practice it is applied with caution’.21 Indeed, their inalienability is part of their essence. Article 6 bis of the Berne Convention, whilst it does not say so in so many words, makes it clear that an assignment of copyright does not carry with it any assignment of moral rights:22

1. Independently of the author’s economic rights, and even after the transfer of the said rights, the author shall have the right to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation.23

22 Plaisant observes that ‘it is in fact a personal right and so more or less inalienable’. Plaisant, n 21 above, at 161. ‘[I] suppose there would be general argument that moral rights are not assignable’, Brown, ‘Adherence to the Berne Convention: The Moral Rights Issue’ (1988) 35 J Copr Soc’y 196. ‘[T]he practical question is not inalienability, whatever that means, but whether an author or his representatives can effectively waive or disclaim the exercise of a moral right’, ibid at 202.
23 ‘[P]rejudice to ‘honour or reputation’ sounds more like a remedy against defamation, rather than against unwanted editing.’ Brown, op cit, at 200.
(2) The rights granted to the author in accordance with the preceding paragraph shall, after his death, be maintained, at least until the expiry of the economic rights, and shall be exerciseable by the persons or institutions authorised by the legislation of the country where protection is claimed. However, those countries whose legislation at the moment of their ratification or accession to this Act, does not provide for the protection after the death of the author of all the rights set out in the preceding paragraph may provide that some of these rights may, after his death, cease to be maintained.

(3) The means of redress for safeguarding the rights granted by this article shall be governed by the legislation of the country where protection is claimed.

Despite what the convention says about the rights being inalienable, they do not appear to be entirely independent; ‘in practice, the courts rarely come to the aid of an author who has parted with his financial rights and seeks an injunction solely to enforce his droit moral. There is only one case in which it has done so against the assignee of such rights. The most that it will usually do is to award damages for the harm done to the author’s reputation and the sum in question will be relatively minor. As however it is usually easy for an author to find a young briefless avocat eager for a chance to prove his metal (sic) for remarkably small fees, actions for an injunction are not infrequent and can be time-consuming and expensive, as the publisher or producer defendant will probably brief a senior, more experienced member of the bar.’

Article 6 bis (inserted in the 1928 Rome text) gives two rights, the right to claim authorship of the work and the right to object to any distortion or modification of the work if this would prejudice the author’s honour or reputation. These are referred to briefly as the right of paternity and the right of integrity. The Brussels text of 1948 added to the original wording, and in Stockholm in 1967 the requirement about the duration of the moral rights was added.

Prior to the 1988 Act there were no equivalent provisions in UK copyright law. The 19th century laissez-faire view of contractual freedom in England (and in most common-law countries) left their whole relationship at law (ie between the creator and the entrepreneur) to the terms of their contract for the transfer of economic rights of property, with such comfort for the preservation of his or her moral rights of reputation as the author might find outside contract in the field of torts, injurious falsehood or passing off.

The UK’s obligations under the Berne Convention with regard to the integrity right were dealt with primarily by the law of defamation, which was

25 Clark, C, ‘Moral rights – more than a matter of integrity’ Bookseller, 2 September 1988; see also the appendix to the third edition of his Publishing Agreements, 1988, Unwin Hyman.
not satisfactory if only because for an action to succeed, the public must have been aware that the author was indeed the author. Protection was also restricted to the author’s lifetime.

The Whitford Committee recommended that Britain should ratify the Paris text of the Berne Convention. \(^\text{26}\) It had only ratified the Convention up to the Brussels text and was therefore failing in its obligations as a founder signatory. The Convention (following the Stockholm revision) contains a get-out for countries which seek to join but do not protect after the author’s death some of the rights enjoyed by him, but this exception is of no avail to a founder member in breach of its obligations.

Whitford also reported\(^\text{27}\) that the submissions received on the subject were in favour of giving full protection to moral rights. It also found that the question of whether UK law had been satisfactory to meet Convention obligations previously was dependent upon how Article 6 \(^{\text{bis}}\) was construed; in any case the Paris text of the Berne Convention demands that one or both of the author’s moral rights must endure for the whole copyright term of 50 years after the author’s death. The possibility of taking action for defamation dies with the person defamed, and rights under s 43 of the 1956 Act endure for only 20 years \text{post mortem}. Reform of the UK law was therefore considered a prerequisite of ratifying the Paris text.

The Committee recognised problems in giving an author’s heirs new rights but endorsed the general approach of Article 25 of the Netherlands Copyright Act, which it reduced to three propositions:

(a) The right to paternity is expressed as a right to prevent some other person being named as author.

(b) Reasonable modifications are allowed.

(c) Though not passing with the copyright the right can in appropriate circumstances be waived.

The Committee quoted as examples a ghost writer who, for a fee, will write the memoirs of some celebrity, or an author who readily agrees to changes so that his work may be filmed or broadcast. The Whitford Committee also considered the existing provisions of s 43 of the 1956 Act and concluded that they seemed largely to be covered by the law of passing off and by trade descriptions legislation.

The 1981 Green Paper\(^\text{28}\) proposed that moral rights should be written into UK law. It dismissed Whitford’s concerns about the right of paternity by

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26 Para 85.
27 See paras 51–57 of the committee’s report.
28 Reform of the Law relating to Copyright, Designs and Performers’ Protection, Cmnd 8302, Chapter 18 (‘Miscellaneous’, which indicates that the subject was not accorded a great deal of importance), paras 1–8. The Green Paper rejected the introduction of a droit de suite in UK law, devoting a separate chapter to that subject (albeit a chapter of only five paragraphs).
construing the Berne Convention to say that all that was required was a positive right to claim authorship which the author may exercise as he wishes. Normally this will be by placing his name on copies of the work. The Green Paper noted that s 43 of the 1956 Act provided a useful remedy where the plaintiff is not a professional writer and could not therefore recover damages for loss of goodwill in a passing off action; the provision survives as s 84 of the 1988 Act.

The Berne Convention also contains some latitude as to the right of integrity since Article 6 bis requires a right to object in cases only where actions in relation to an author’s work would be prejudicial to his honour or reputation. The government agreed with Whitford that exceptions such as the permitting of reasonable modifications (as in the Netherlands Copyright Act) should be made and that they would be in accordance with the Berne Convention. The Green Paper therefore proposed that the legislation should provide that no change should be made in any literary, dramatic, musical, artistic or cinematographic work without the author’s consent, with the exception of changes to which the author could not in good faith refuse consent. The Act embraces this principle by implication, not expressly, as it adopts the wording of the Berne Convention rather than that of the Green Paper.

The Green Paper went on to propose that the rights would be exerciseable only by the author or, after his death, by his personal representative. Contravention of the rights would be actionable as a breach of statutory duty. The rights would not be assignable. However, the author would be permitted to waive his moral rights and such waiver would be binding on his successors in title. The moral rights would exist for the same period as economic rights. The White Paper promised legislation along the lines foreshadowed in the Green Paper, noting that while Whitford had doubted whether UK law had complied with the Brussels text of the Berne Convention, there was no doubt that amendment of the law was necessary to comply with the Paris text.

Chapter 4 of the Act sets out the new rights. The rights to be protected are the minimum required to be protected by Berne – paternity and integrity. There is no equivalent to the French droit de divulgation (the right to control circulation of a work prior to its being completed for publication), the droit d’accès (mainly of artists to their paintings after sale), the droit de repentir (the right of withdrawal after publication, subject in German law to the payment of compensation to the publisher, of a work of which its author no longer approves). Nor is there a right to reacquire a work of which the author has disposed – such as Graham Sutherland might have found useful in the case of his portrait of Churchill – or a right of publication. The possibility of

29 Para 19.2–19.3.
30 That is, you can make a contract to publish and then change your mind, provided you indemnify the assignee.
including a droit de suite or art resale royalty right was canvassed by Whitford\textsuperscript{32} but the report recommended that no such right be introduced. Berne provides for such a right but whether Member States' national laws provide for it is left to them, and only a minority do. The Green Paper reported that the EEC Commission was working on a directive to introduce a harmonised Community-wide droit de suite\textsuperscript{33} but did not find the arguments in favour of the introduction of such a right at that time sufficiently compelling. The White Paper\textsuperscript{34} observed that such a right was not required by convention and that introducing it would result in administrative problems not outweighed by the benefits.

**Section 77: Right to be identified as author or director**

(1) The author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film, has the right to be identified as the author or director of the work in the circumstances mentioned in this section; but the right is not infringed unless it has been asserted in accordance with s 78.

(2) The author of a literary work (other than words intended to be sung or spoken with music) or a dramatic work has the right to be identified whenever:

(a) the work is published commercially, performed in public, broadcast or included in a cable programme service; or

(b) copies of a film or sound recording including the work are issued to the public,

and that right includes the right to be identified whenever any of those events occur in relation to an adaptation of the work as the author of the work from which the adaptation was made.

(3) The author of a musical work, or a literary work consisting of words intended to be sung or spoken with music, has the right to be identified whenever:

(a) the work is published commercially;

(b) copies of a sound recording of the work are issued to the public; or

(c) a film of which the sound-track includes the work is shown in public or copies of such a film are issued to the public,

and that right includes the right to be identified whenever any of those events occur in relation to an adaptation of the work as the author of the work from which the adaptation was made.

(4) The author of an artistic work has the right to be identified whenever:

(a) the work is published commercially or exhibited in public, or a visual image of it is broadcast or included in a cable programme service;

\textsuperscript{32} Paras 791–805.


\textsuperscript{34} Para 19.13–19.16.
(b) a film including a visual image of the work is shown in public or copies of such a film are issued to the public; or

(c) in the case of a work of architecture in the form of a building or a model for a building, a sculpture or a work of artistic craftsmanship, copies of a graphic work representing it, or of a photograph of it, are issued to the public.

(5) The author of a work of architecture in the form of a building also has the right to be identified on the building as constructed or, where more than one building is constructed to the design, on the first to be constructed.

(6) The director of a film has the right to be identified whenever the film is shown in public, broadcast or included in a cable programme service or copies of the film are issued to the public.

(7) The right of the author or director under this section is:

(a) in the case of commercial publication or the issue to the public of copies of a film or sound recording, to be identified in or on each copy or, if that is not appropriate, in some other manner likely to bring his identity to the notice of a person acquiring a copy;

(b) in the case of identification on a building, to be identified by appropriate means visible to persons entering or approaching the building; and

(c) in any other case, to be identified in a manner likely to bring his identity to the attention of a person seeing or hearing the performance, exhibition, showing, broadcast or cable programme in question, and the identification must in each case be clear and reasonably prominent.

(8) If the author or director in asserting his right to be identified specifies a pseudonym, initials or some other particular form of identification, that form shall be used; otherwise any reasonable form of identification may be used.

(9) This section has effect subject to s 79 (exceptions to right).

Section 78: Requirement that right be asserted

(1) A person does not infringe the right conferred by s 77 (right to be identified as author or director) by doing any of the acts mentioned in that section unless the right has been asserted in accordance with the following provisions so as to bind him in relation to that act.

(2) The right may be asserted generally, or in relation to any specified act or description of acts:

(a) on an assignment of copyright in the work, by including in the instrument effecting the assignment a statement that the author or director asserts in relation to that work his right to be identified; or

(b) by instrument in writing signed by the author or director.

(3) The right may also be asserted in relation to the public exhibition of an artistic work:

(a) by securing that when the author or other first owner of copyright parts with possession of the original, or of a copy made by him or
under his direction or control, the author is identified on the original or copy, or on a frame, mount or other thing to which it is attached; or
(b) by including in a licence by which the author or other first owner of copyright authorises the making of copies of the work a statement signed by or on behalf of the person granting the licence that the author asserts his right to be identified in the event of the public exhibition of a copy made in pursuance of the licence.

(4) The persons bound by an assertion of the right under subsection (2) or (3) are:
(a) in the case of an assertion under subsection (2)(a), the assignee and anyone claiming through him, whether or not he has notice of the assertion;
(b) in the case of an assertion under subsection (2)(b), anyone to whose notice the assertion is brought;
(c) in the case of an assertion under subsection (3)(a), anyone into whose hands that original or copy comes, whether or not the identification is still present or visible;
(d) in the case of an assertion under subsection (3)(b), the licensee and anyone into whose hands a copy made in pursuance of the licence comes, whether or not he has notice of the assertion.

(5) In an action for infringement of the right the court shall, in considering remedies, take into account any delay in asserting the right.

Section 79: Exceptions to right
(1) The right conferred by s 77 (right to be identified as author or director) is subject to the following exceptions.

(2) The right does not apply in relation to the following descriptions of work:
(a) a computer program;
(b) the design of a typeface;
(c) any computer-generated work.

(3) The right does not apply to anything done by or with the authority of the copyright owner where copyright in the work originally vested:
(a) in the author’s employer by virtue of s 11(2) (works produced in course of employment); or
(b) in the director’s employer by virtue of s 9(2)(a) (person to be treated as author of film).

(4) The right is not infringed by an act which by virtue of any of the following provisions would not infringe copyright in the work:
(a) s 30 (fair dealing for certain purposes), so far as it relates to the reporting of current events by means of a sound recording, film, broadcast or cable programme;
(b) s 31 (incidental inclusion of work in an artistic work, sound recording, film, broadcast or cable programme);
(c) s 32(3) (examination questions);
(d) s 45 (parliamentary and judicial proceedings);
(e) s 46(1) or (2) (royal commissions and statutory enquiries);
(f) s 51 (use of design documents and models);
(g) s 52 (effect of exploitation of design derived from artistic work);
(h) s 57 (anonymous or pseudonymous works: acts permitted on assumptions as to expiry of copyright or death of author).

(5) The right does not apply in relation to any work made for the purpose of reporting current events.

(6) The right does not apply in relation to the publication in:

(a) a newspaper, magazine or similar periodical; or

(b) an encyclopedia, dictionary, yearbook or other collective work of reference,

of a literary, dramatic, musical or artistic work made for the purposes of such publication or made available with the consent of the author for the purposes of such publication.

(7) The right does not apply in relation to:

(a) a work in which Crown copyright or parliamentary copyright subsists; or

(b) a work in which copyright originally vested in an international organisation by virtue of s 168,

unless the author or director has previously been identified as such in or on published copies of the work.

Section 80: Right to object to derogatory treatment of work

(1) The author of a copyright literary, dramatic, musical or artistic work, and the director of a copyright film, has the right in the circumstances mentioned in this section not to have his work subjected to derogatory treatment.

(2) For the purposes of this section:

(a) ‘treatment’ of a work means any addition to, deletion from or alteration to or adaptation of the work, other than:

(1) a translation of a literary or dramatic work; or

(2) an arrangement or transcription of a musical work involving no more than a change of key or register; and

(b) the treatment of a work is derogatory if it amounts to distortion or mutilation of the work or is otherwise prejudicial to the honour or reputation of the author or director,

and in the following provisions of this section references to a derogatory treatment of a work shall be construed accordingly.

(3) In the case of a literary, dramatic or musical work the right is infringed by a person who:

(a) publishes commercially, performs in public, broadcasts or includes in a cable programme service a derogatory treatment of the work; or
Copyright

(b) issues to the public copies of a film or sound recording of, or including, a derogatory treatment of the work.

(4) In the case of an artistic work the right is infringed by a person who:

(a) publishes commercially or exhibits in public a derogatory treatment of the work, or broadcasts or includes in a cable programme service a visual image of a derogatory treatment of the work;

(b) shows in public a film including a visual image of a derogatory treatment of the work or issues to the public copies of such a film; or

(c) in the case of:

(1) a work of architecture in the form of a model for a building;

(2) a sculpture; or

(3) a work of artistic craftsmanship,

issues to the public copies of a graphic work representing, or of a photograph of, a derogatory treatment of the work.

(5) Subsection (4) does not apply to a work of architecture in the form of a building; but where the author of such a work is identified on the building and it is the subject of derogatory treatment he has the right to require the identification to be removed.

(6) In the case of a film, the right is infringed by a person who:

(a) shows in public, broadcasts or includes in a cable programme service a derogatory treatment of the film; or

(b) issues to the public copies of a derogatory treatment of the film,

or who, along with the film, plays in public, broadcasts or includes in a cable programme service, or issues to the public copies of, a derogatory treatment of the film sound-track.

(7) The right conferred by this section extends to the treatment of parts of a work resulting from a previous treatment by a person other than the author or director, if those parts are attributed to, or are likely to be regarded as the work of, the author or director.

(8) This section has effect subject to ss 81 and 82 (exceptions to and qualifications of right).

Section 81: Exceptions to right

(1) The right conferred by s 80 (right to object to derogatory treatment of work) is subject to the following exceptions.

(2) The right does not apply to a computer program or to any computer-generated work.

(3) The right does not apply in relation to any work made for the purpose of reporting current events.

(4) The right does not apply in relation to the publication in:

(a) a newspaper, magazine or similar periodical; or

(b) an encyclopedia, dictionary, yearbook or other collective work of reference,
of a literary, dramatic, musical or artistic work made for the purposes of such publication or made available with the consent of the author for the purposes of such publication.

Nor does the right apply in relation to any subsequent exploitation elsewhere of such a work without any modification of the published version.

(5) The right is not infringed by an act which by virtue of s 57 (anonymous or pseudonymous works: acts permitted on assumptions as to expiry of copyright or death of author) would not infringe copyright.

(6) The right is not infringed by anything done for the purpose of:

(a) avoiding the commission of an offence;

(b) complying with a duty imposed by or under an enactment; or

(c) in the case of the British Broadcasting Corporation, avoiding the inclusion in a programme broadcast by them of anything which offends against good taste or decency or which is likely to encourage or incite to crime or to lead to disorder or to be offensive to public feeling,

provided, where the author or director is identified at the time of the relevant act or has previously been identified in or on published copies of the work, that there is a sufficient disclaimer.

Section 82: Qualification of right in certain cases

(1) This section applies to:

(a) works in which copyright originally vested in the author’s employer by virtue of s 11(2) (works produced in course of employment) or in the director’s employer by virtue of s 9(2)(a) (person to be treated as author of film);

(b) works in which Crown copyright or parliamentary copyright subsists; and

(c) works in which copyright originally vested in an international organisation by virtue of s 168.

(2) The right conferred by s 80 (right to object to derogatory treatment of work) does not apply to anything done in relation to such a work by or with the authority of the copyright owner unless the author or director:

(a) is identified at the time of the relevant act; or

(b) has previously been identified in or on published copies of the work, and where in such a case the right does apply, it is not infringed if there is a sufficient disclaimer.
CHAPTER FIVE

THE BACKGROUND

The protection of designs takes (and has taken) several legal forms: certain designs are registrable, in this country and in most countries of the world, though according to rules that vary considerably between countries, and are also protected by copyright or similar means. In many countries unfair competition laws offer further protection against slavish copying – that is copying where there is no need for it – but the UK still has no such legislation despite the requirements of the Paris Convention.

The area of design protection is one of the most contentious in the whole field of intellectual property law. Here the essential conflict between competition (and consumer interests) and protection comes into sharpest focus, specifically where design protection extends to spare parts. It is in the motor industry that the greatest problems have been encountered, arising from the policy of the vehicle manufacturers of selling cars (or motorcycles) for less than the price of the collection of parts. This creates a captive market for the parts. Robert M Pirsig explained it in *Zen and the Art of Motorcycle Maintenance*:

> It’s a well-known industrial policy to price the original equipment competitively, because the customer can always go somewhere else, but on parts to overprice and clean up.

The legislation has evolved with the needs of the motor industry in mind. Indeed, it is arguable that the interests of the motor industry have clouded consideration of others’ requirements. In the debates on the Copyright, Designs and Patents Bill in 1988, the then opposition spokesman on trade and industry, Tony Blair, said:

> The most important problem with the way the law has developed since early 1986 is that the debate has been so dominated by car spare parts that we have tended to consider that it concerns only car spare parts when it has ramifications and consequences outside the issue of car spare parts ... Unless we are extremely careful, we shall legislate for the particular and legislate in a bad way for the general. (SCE col 525–26, session 1987–88.)

The UK law was, despite Mr Blair’s pleas, concerned almost to the exclusion of all other sectors with the motor industry. Given that motor cars are the largest purchase most people ever make (except for their houses), and that they are exposed to the elements in ordinary use and suffer the risk of collision with other vehicles, there is no surprise in the fact that spare parts for
them are so important. The desire for a free market in such parts informs the whole of UK design law.

That preoccupation has now been translated into the EC arena. In 1991 the Commission published a Green Paper on the legal protection of industrial designs, proposing a harmonising directive to bring the laws of the Member States into line with each other, and a regulation to set up a Community design system. If this sounds familiar, it should, because that is precisely what has happened in the trademarks field.

The intervention of the EC resulted in the arguments that had raged in the UK being transferred to Brussels, where the Commission was lobbied to change its proposals before going public with them (the Green Paper had been merely a working document of the services of the Commission, the civil servants, rather than a proposal of the Commissioners themselves). It then moved on to the European Parliament, which debated the proposed directive in October 1995. At the time of writing, the Commission has adopted an amended proposal (OJ [1996] C142/7) but it is stuck in the Council where unanimity is proving impossible to obtain.

The EC proposals, though they will be some time in coming into operation, are of considerable interest: they are discussed in this chapter alongside the provisions of our domestic law which in many areas they will eventually replace or modify.

COPYRIGHT AND INDUSTRIAL DESIGNS

Until 1988, protection for industrial designs was given by the Copyright Act 1956. In *British Leyland Motor Corporation v Armstrong Patents Ltd* [1986] AC 477 the House of Lords removed this protection, and Lord Griffiths’ judgment sets out the history of this peculiar result of the 1956 Act as well as describing the (allegedly) undesirable effects of it. Lords Bridge and Templeman gave judgments which reached the same result by different means, but from the intellectual property point of view Lord Griffiths’ judgment is more interesting:

My Lords,

The importance of this appeal to manufacturing industry has been stressed in your Lordships’ speeches and needs no further emphasis from me. British Leyland Motor Corporation Ltd (‘BL’) claim that, through their copyright in the mechanical drawings or blueprints of the exhaust pipe of a Marina motor car, they are able to prevent any other manufacturer from copying the shape of that exhaust pipe without their permission. The validity of this claim depends in the first place upon the true construction of the Copyright Act 1956, under which BL claim copyright.
The relevant provisions of the Act are as follows:

1(1) In this Act ‘copyright’ in relation to a work (except where the context otherwise requires) means the exclusive right, by virtue and subject to the provisions of this Act, to do, and to authorise other persons to do, certain acts in relation to that work in the UK or in any other country to which the relevant provision of the Act extends.

The said acts, in relation to a work of any description, are those acts which, in the relevant provision of this Act, are designated as the acts restricted by the copyright in a work of that description (2) in accordance with the preceding subsection, but subject to the following provisions of this Act, the copyright in a work is infringed by any person who, not being the owner of the copyright, and without the licence of the owner thereof, does, or authorises another person to do, any of the said acts in relation to the work in the UK or in any other country to which the relevant provision of this Act extends.

3(1) In this Act ‘artistic work’ means a work of any of the following descriptions, that is to say: (a) the following, irrespective of artistic quality, namely paintings, sculptures, drawings, engravings and photographs; (b) works of architecture, being either buildings or models for buildings; (c) works of artistic craftsmanship, not falling within either of the preceding paragraphs.

(5) The acts restricted by the copyright in an artistic work are (a) reproducing the work in any material form.

4(1) Subject to the provisions of this section, the author of a work shall be entitled to any copyright subsisting in the work by virtue of this part of this Act ... (4) Where, in a case not falling within either of the two last preceding subsections, a work is made in the course of the author’s employment by another person under a contract of service or apprenticeship, that other person shall be entitled to any copyright subsisting in the work by virtue of this part of this Act.

48(1) In this Act, except in so far as the context otherwise requires, the following expressions have the meanings hereby assigned to them respectively, that is to say:

‘drawing’ includes any diagram, map, chart or plan;

‘reproduction’, in the case of a literary, dramatic or musical work, includes a reproduction in the form of a record or of a cinematograph film, and, in the case of an artistic work, includes a version produced by converting the work into a three-dimensional form, or, if it is in three dimensions, by converting it into a two-dimensional form, and references to reproducing a work shall be construed accordingly;

49(1) Except in so far as the context otherwise requires, any reference in this Act to the doing of an act in relation to a work or other subject-matter shall be taken to include a reference to the doing of that act in relation to a substantial part thereof, and any reference to a reproduction, adaptation or copy of a work, or a record embodying a sound recording, shall be taken to include a reference to a reproduction, adaptation or copy of a substantial
part of the work, or a record embodying a substantial part of the sound recording, as the case may be:

Provided that, for the purposes of the following provisions of this Act, namely subsections (1) and (2) of s 2, subsections (2) and (3) of s 3, subsections (2) and (3) of s 33, s 38 and subsections (2) to (4) of s 39, this subsection shall not affect the construction of any reference to the publication, or absence of publication, of a work.

It might at one stage in the history of artistic copyright have been possible to argue that Parliament only intended copyright to extend to paintings or drawings which could fairly be described as works of fine art; indeed, when Parliament first gave the protection of copyright to artists by the Fine Art Copyright Act 1862 (25 and 26 Vict c 68) I believe that it was probably so limited. But, whatever may have been the position in the past, Parliament when it enacted the Copyright Act 1956 followed the advice of the Gregory Report (Report of the Copyright Committee (1952) (Cmnd 8662)) and conferred copyright on any drawing irrespective of artistic quality and included in the definition of drawing any diagram, map, chart or plan. Thus, Parliament made clear, to my mind beyond argument, that the draughtsman is entitled to the copyright in every original mechanical drawing that he produces and if he does so in the course of his employment the copyright is that of his employer.

But what is the extent of the protection given by that copyright? Section 3(5) of the Act provides that the mechanical drawing may not be reproduced in any material form without the licence of the owner of the copyright. It is well established that reproduced means copied and a coincidental reproduction without copying is not a breach of copyright. Therefore, no one without BL’s permission may copy the mechanical drawings by tracing them, photographing them, or using them to make an identical drawing. Furthermore, no one without BL’s permission may use the drawing in order to make the exhaust pipe because s 48(1) provides that reproduction includes a version produced by converting the drawing into a three-dimensional form, so if the drawing is used in order to produce the exhaust pipe the copyright in the drawing is infringed.

Armstrong Patents Co Ltd (‘Armstrong’) have not infringed BL’s copyright in any of these ways. Armstrong never saw BL’s mechanical drawings and in any ordinary usage of the word ‘copy’ they never copied the drawings. Armstrong made copies of the Marina exhaust pipe by copying the exhaust pipe itself through a process known as reverse engineering. Armstrong thus made no use of the product of the draughtsman’s skill and labour, namely the mechanical drawings: but they did, of course, help themselves to the product of the skills of BL’s engineering designers that had resulted in the original shape of the prototype exhaust pipe.

BL claim that in such circumstances ‘reproducing’ or ‘copying’ should be construed as bearing the extended meaning of ‘indirect copying.’ BL submit that if there exists a causal link between the artistic work and the three-dimensional copy there has been indirect copying of the artistic work and thus an infringement of copyright. As I shall show, there is a formidable body of
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authority to support this submission and I am satisfied that the Court of Appeal had no alternative but to hold that there had been indirect copying in this case that infringed the copyright in the drawings.

However, I am equally satisfied that it was not the intention of Parliament to bestow upon a manufacturer through the draughtsman in his drawing office protection for a purely functional object that could not be obtained through either patent or design copyright legislation.

BL could not have obtained protection for the exhaust pipe for it is neither new nor did it require any inventive step to produce it, nor could they have obtained design copyright protection as Parliament had made clear that design copyright was not to extended to protect objects such as exhaust pipes.

... The exhaust pipe is excluded from copyright design protection both because it has no appeal to the eye and because its shape is dictated solely by the function it has to perform, namely the efficient disposal of burnt gases in the Marina motor car.

If an exhaust pipe had qualified for design copyright protection the period of protection would have been limited to 15 years: even if qualified for patent protection the protection is limited to 20 years, but if it is entitled to copyright protection through the mechanical drawing that protection may be as long as 100 years or more, ie the life of the draughtsman and 50 years after his death.

I find it inconceivable that Parliament, having explicitly denied the benefit of design copyright to a purely functional object such as an exhaust pipe, can have intended an effectively greater protection to be granted through an author’s artistic copyright. I am unimpressed by the argument that design copyright confers a true monopoly as defined by s 7(1) of the Act of 1949 whereas copyright only protects the copyright owner from reproduction by copying. This is, in my view, a distinction without a real difference because the chances of another manufacturer reproducing the identical or almost identical functional object without copying are almost non-existent. I cannot regard this distinction between design copyright and artistic copyright as a sufficient reason to suppose that Parliament intended that artistic copyright should be available to protect the shape of an exhaust pipe.

If BL had made the exhaust pipe without producing a mechanical drawing whether by directly copying their prototype exhaust pipe or by embodying the instructions to make the exhaust pipe in literary or numerate form as opposed to being contained in a mechanical drawing it is conceded that there would be nothing to prevent Armstrong copying the exhaust pipe by reverse engineering. But because BL have made it from an instruction in the form of a mechanical drawing it is said they have a monopoly in the shape of their exhaust pipe. I can see no sensible reason for such a distinction and it is another reason why I am convinced that it was never intended by Parliament.

But manufacturers and their lawyers have recently managed to persuade the courts to extend the protection of artistic copyright to protect the shapes of various types of purely functional objects. They have in effect achieved copyright in an exhaust pipe. This bizarre result is the consequence of the
courts construing ‘reproducing’ in s 3(5) as including ‘indirect copying’ in circumstances where it is not necessary to do so to achieve the purpose of the Act which is to protect the commercial value of the artist’s work and labour and not to grant a monopoly to a manufacturer. To construe copying as including ‘indirect copying’ is to give an unnatural and extended meaning to the word ‘copying’. It is justifiable to do so if it is necessary to achieve the purpose of the Act but it is not justifiable to do so to achieve a result which is manifestly not the purpose of the Act. This is what has happened in recent years and I must examine how it has come about.

The circumstances in which the concept of indirect copying was first introduced into artistic copyright fully justified its use for it was necessary to protect the value of the artists’ work from piracy by means of copies of intermediate works. The first example is the decision of Blackburn J in *Ex Parte Beal* (1868) LR 3 QB 387, a decision under the Fine Arts Copyright Act 1862 (25 and 26 Vict c 68). Mr Graves was the owner of the copyright in two oil paintings and a photograph: he had made engravings of these paintings and the photograph. Mr Beal had sold photographs of the engravings which he had taken without the permission of Mr Graves. It was held that Mr Beal was rightly convicted of copying contrary to s 6 of the Act. Blackburn J said at pp 393–94:

> The copyright in the picture belongs to Mr Graves; he made an engraving of it, of which he sold copies; he had not given any right to others to multiply them, and the photographs for which the penalties were recovered were made by photographing the engraving, and not the original picture, and it has been argued that the photograph of the engraving, being the reproduction of a copy of the design of the painting, is not a copy of the painting itself. It seems to me that cannot be so. When the subject of a picture is copied, it is of no consequence whether that is done directly from the picture itself or through intervening copies; if in the result that which is espied be an imitation of the picture, then it is immaterial whether that be arrived at directly or by intermediate steps.

*Ex Parte Beal* was cited with approval by Lindley LJ in *Hanfstaengl v Empire Palace* [1894] 3 Ch 109, l27:

> ... The judgment of Lord Blackburn in *Ex Parte Beal* LR 3 QB 387, 394 shows that if a painting is in fact reproduced it is immaterial what the intermediate steps may be by which the reproduction is arrived at.

But in the same judgment he also said at p 128:

> The protection of authors, whether of inventions, works of art, or of literary compositions, is the object to be attained by all patent and copyright laws. The Acts are to be construed with reference to this purpose. On the other hand, care must always be taken not to allow them to be made instruments of oppression and extortion.

In the same case Davey LJ said at p 133:

> The object of these Acts is both to protect the reputation of the artist from being lessened in the eyes of the world and also to secure him the commercial value of his property – to encourage the arts by securing to the artist a monopoly in the sale of an object of attraction.
And Lopes LJ said at p 131:

It is most material in the first place to consider the object of the Act of
Parliament (25 and 26 Vict c 68) which first gave copyright in paintings,
drawings and photographs, and especially ss 1 and 2 of that Act, upon the
interpretation of which this case depends. The object of the statute was to
protect property, to protect the artistic faculty in painting, drawing and
photographing, and prevent any interference by reproduction thereof with
either the artist’s reputation or the commercial value of his work ... There
must be no such reproduction either mediately or immediately.

When the commercial value in a drawing lies in its aesthetic appeal, by which I
mean its appeal to the senses, it can only be properly protected if copying or
reproducing is extended to include indirect copying or reproducing. It is,
therefore, readily understandable that the judges in the 19th century should
have so construed the Fine Arts Copyright Act 1862. It is, however, to be
remembered that those judges would not have considered that Armstrong had
been guilty of ‘indirect copying’ in this case because they did not regard the
reproduction of a painting or drawing in a different medium to be an
infringement of copyright. See Hanfstaengl v Empire Palace and Dicks v Brooks
(1880) 15 Ch D 22.

After Parliament, by the Copyright Act 1911, had provided that copyright
could be infringed by reproduction in ‘any material form whatsoever’ the
House of Lords in King Features Syndicate Inc v O de M Kleeman Ltd [1941] AC
417 held that the copyright in a cartoon of ‘Popeye’ was infringed by making
unauthorised copies of ‘Popeye dolls’ that had been licensed by the owner of
the copyright in the cartoon.

However, the mischief in pirating the ‘Popeye’ cartoon by making copies of the
‘Popeye’ dolls was the same mischief at which indirect copying had been
aimed in the earlier cases. The copyist was stealing from the original artist the
commercial value of ‘Popeye’ which lay in the appeal to the public of this
bizarre little figure that tickled the sense of humour and the ridiculous and
which had been created by the artistic skills of the cartoonist. I do not regard
this case as an authority for the proposition that the copying of a purely
functional object whose shape owes nothing to the creative skill of the artist is
necessarily a breach of copyright in the mechanical drawings from which the
object was manufactured.

In Francis Day & Hunter v Bron [1963] Ch 587 the owners of the copyright in a
tune ‘A Little Spanish Town’ claimed their copyright had been infringed by the
composer of ‘Why’. The case turned upon whether the defendant had
unconsciously copied ‘A Little Spanish Town’ – it was held that he had not.
However, in the course of his judgment, Diplock LJ said at pp 623–24:

But while the copyright work must be the source from which the
infringing work is derived, it need not be the direct source. See Hanfstaengl
v Empire Palace. Mr Skone James, I think, put it with his usual accuracy
when he said there must be a causal connection between the copyright
work and the infringing work. To borrow an expression once fashionable
in the law of negligence, the copyright work must be shown to be a causa
sine qua non of the infringing work.
This passage is *obiter* because the case was not one in which indirect copying was alleged. I do not read it as intending to lay down that wherever there is a causal connection it follows that there has been indirect copying which infringes copyright but if it is intended to convey this meaning I cannot agree with it.

Indirect copying was taken a step further by Danckwerts LJ in the final paragraph of his judgment in *Dorling v Honnor Marine Ltd* [1965] Ch 1. The facts of that case were that Mr Dorling had designed a sailing dinghy, the Scorpion, and he granted a licence to Colonel Honnor to build Scorpions in accordance with his plans of the boat. Colonel Honnor formed a limited company to which he purported to assign the licence without Mr Dorling’s permission. The company then built and marketed the Scorpion in the form of a kit of parts that could be assembled by amateur yachtsmen. The company used Mr Dorling’s plans for the purpose of making the parts. A defence based upon the allegation that the parts were registrable under the Design Copyright Act 1949 [His Lordship meant the Registered Designs Act 1949 – ed] and thus excluded from copyright protection by virtue of s 10 of the Copyright Act 1956 failed. Likewise, a defence based upon s 9(8) of the Act also failed, because a non-expert would have recognised the parts as made from the plans. It, therefore, followed that the company had infringed Mr Dorling’s copyright in the plans by making a three-dimensional representation of them in the form of the parts of the boat. But the company had also taken photographs of the parts made with the use of the plans and of the completed boat. The photographs were part of the instructions to enable the kit of parts to be assembled. Danckwerts LJ held that these photographs infringed the copyright in the plans: he said at pp 22–23:

> The parts and the completed boat are two-dimensional plans and the plans ... thus having been converted into a three-dimensional form are reproduced by the photographs in a two-dimensional form. It is clearly a case of copying a copy of an artistic work protected by the Copyright Act 1956 and therefore an infringement of that copyright. It is well established that: ‘Copyright may be infringed by copying something which is itself a copy of the plaintiff’s work. If the original work has been reproduced it is no answer to say that it has been copied from a work which was itself, whether licensed or unlicensed, a copy of the original’. See Copinger and Skone James on Copyright, 9th edn, p 180.¹

This appears to me to be but a small extension of the concept of indirect copying. The commercial value of Mr Dorling’s plans lay in the fact that the kit of parts and the boat could be constructed from the plans. The company by copying the plans to produce the parts had stolen the value of Mr Dorling’s work and labour in producing the plans and the photographs were but part and parcel of that theft, for they furthered its purpose by facilitating the construction of the boat.

The application of indirect copying to protect purely functional objects is of very recent origin and can be traced through a trilogy of cases from the Court

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¹ Sweet & Maxwell, 1958.
of First Instance to the House of Lords. In *British Northrop Ltd v Texteam Blackburn Ltd* [1974] RPC 57 the plaintiffs were manufactured of looms, the parts of which were made from mechanical drawings. The defendants copied certain parts of the plaintiffs’ looms and marketed them as spare parts for the looms in competition with the spare parts manufactured by the plaintiffs. Megarry J rejected an argument that no copyright existed in the plaintiffs’ drawings on the ground that they were too simple to be original artistic works and held that as copyright existed in the drawings, the defendants were in breach of copyright in that they had indirectly copied the drawings by copying the parts. In *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537 the plaintiffs manufactured a pulley wheel with a replaceable lining described as an elastomeric ring. The Court of Appeal held that copyright existed in the plaintiffs’ mechanical drawings and it was *prima facie* an infringement of that copyright to copy the elastomeric ring. Buckley LJ said at pp 558–59:

The defendant when commissioned by BSC to repair worn rubber rings on Polyrim pulley cheeks provided his subcontractor with two cheek pieces received from BSC, one worn and one unworn. They were of Cable Belt Ltd’s manufacture. The defendant did not provide his subcontractor with any drawings. He had not himself seen any drawings of the plaintiffs’ Polyrim pulleys or of any part of them at that time, nor is there any evidence that the subcontractor had done so. I infer that the subcontractor devised a mould by using which he could produce an exact copy of the plaintiffs’ unworn rubber ring with which he had been supplied. If, as the evidence indicates to have been the case, the plaintiffs’ rubber ring was made substantially in accordance with the sectional drawing mentioned earlier, the rubber ring moulded by the defendants’ subcontractor must have been substantially in accordance with the same drawing. It follows that it must have been a substantial reconstruction in three-dimensional form of the sectional drawing. This was not due to coincidence but to reproduction of a three-dimensional reproduction of the sectional drawing. There is a clear causal link at each step in the process. This must, in my judgment, have constituted an infringement of the plaintiffs’ copyright in the sectional drawing unless either it is exempted by s 9(8) or was licensed. However, the plaintiffs were refused relief on the ground that they had impliedly licensed the purchasers of their pulleys to infringe their copyright for the purpose of repairs.

In *LB (Plastics) Ltd v Swish Products Ltd* [1979] RPC 551 the plaintiffs were manufacturers of a plastic knock-down drawer system known as ‘Sheerglide’. The trial judge held that the defendants had copied the shape of the plaintiffs’ drawers and had, by indirect copying, infringed the plaintiffs’ copyright in the mechanical drawings of the drawers. The Court of Appeal reversed the trial judge holding that it had not been established that the defendants had copied the drawers. The House of Lords restored the judgment of the trial judge holding that on the evidence copying had been established. The real battle between the parties in the litigation was a factual one – namely had there been copying or not. Lord Hailsham of St Marylebone at the commencement of his speech said at p 623:
... in my view, the questions at issue are mainly of fact.

and Lord Wilberforce said at p 619:

My Lords, though reference was made, quite properly, to authorities on copyright law, I do not think that the present case (apart from the defence based on s 9(8)) raises or involves any legal issue.

I, of course, accept that these cases are authority for the proposition that indirect copying of a purely functional object is an infringement of the copyright in the mechanical drawings, and as the Swish case [1979] RPC 551, is a decision of this House it bound the Court of Appeal in the present case. However, nowhere in these cases can I find any consideration given to the reasons why indirect copying was originally introduced by the judges to extend the natural meaning of reproduce or copy or whether such reasons justify the extended meaning where the mechanical drawing is of a functional object and its only purpose is to provide an instruction for the production of the object. It appears that the courts have assumed that indirect copying must apply wherever there is a causal link between a drawing and the object it depicts unless copyright is denied to the drawing by the terms of s 9(8) of the Act.

I must now consider s 9(8) which provides:

The makings of an object of any description which is in three dimensions shall not be taken to infringe the copyright in an artistic work in two dimensions, if the object would not appear, to persons who are not experts in relation to objects of that description, to be a reproduction of the artist’s work.

This section, as the Gregory Report shows, was introduced into the Act to prevent copyright spreading too far into the industrial field. Where it applies it denies all copyright to an artistic work. As the decisions have shown, its application is very limited because most objects can be recognised from their drawings. However, it would no doubt apply to complex circuit diagrams. This section shows that Parliament had anxieties about the use of copyright in the industrial field but I am not prepared to interpret it as an indication that if its terms did not bite to prevent direct copying Parliament intended that the court should in all other circumstances extend copyright into the industrial field by the application of indirect copying.

Before I return to ‘indirect copying’ I must also refer to s 10 of the Copyright Act 1956 and its amendment by the Design Copyright Act 1968. The object of s 10 was to prevent overlap between design copyright and artistic copyright. It has no relevance to a case such as this because design copyright does not apply to purely functional objects. However, in circumstances where the artist is employed by the manufacturer to produce a design that increases the attraction of the product to the public, s 10 provided that if the design was registered under the Registered Designs Act 1949 or used industrially it would not be an infringement of the copyright in the drawing to do anything which was within the scope of the design copyright. Experience proved that this restriction was very damaging to the Birmingham jewellery trade. The jewellery trade naturally employs designers to produce attractive designs for jewellery; their drawings are produced with the same purpose as the artist
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who hopes to sell his work to the public, namely to produce an object which is in itself attractive. The difficulties of time and expense involved in the registration of jewellery designs inhibited jewellers from seeking this form of protection and lacking the protection of copyright in the truly artistic drawings from which their jewellery was produced they fell prey to copying of their designs by Far East manufacturers against which they had no protection. To provide a remedy Parliament, by the Design Copyright Act 1968, repealed much of s 10 and in effect provided that copyright and design copyright could co-exist but that in such circumstances copyright protection should be reduced to the same period of 15 years as design copyright protection. But purely functional objects were not affected by the Act of 1968, they remained excluded from the protection of design copyright.

I now return to indirect copying. As the earlier cases show, the original justification for giving, reproducing or copying the extended meaning of indirect copying was to achieve the purpose of copyright, namely to give protection to the artist so that he might enjoy the commercial benefit of that which he had created. If the artist had produced an attractive painting, it was only just that he should enjoy at least part of the commercial reward of the sale of that painting to the public whether in the form of the original itself or in the form of prints, etchings, photographs and so forth. It was to achieve this purpose that indirect copies were deemed to be a breach of copyright so that others might not benefit unfairly from the artist’s skills.

But what is the purpose to be served by deeming indirect copying to be a breach of copyright in a mechanical drawing or blueprint of a purely functional object. The purpose of such a drawing is not to use artistic skill to produce an object of attraction to the public. The draughtsman applies his skill and labour in order to produce a drawing from which the object it depicts can be manufactured, it is in effect an instruction to those in the machine room who have to make the object. Suppose for the moment we are dealing with an independent draughtsman who accepts a commission to produce blueprints of a prototype engine so that the designer of the engine may commence manufacture. I can see that the skill and labour of the draughtsman should be protected by preventing direct copying of the blueprints or using them to make the engine, for if that were allowed it would steal from the draughtsman the value of his work. But the draughtsman in such circumstances is not applying his skill and labour to create an original article from which he may justly expect to reap a reward when it is sold to the public. The draughtsman’s skill is merely the conduit by which the designer’s ideas are communicated to the constructional engineers on the shop floor. In such circumstances, to construe reproducing as including indirect copying is to transfer the protection of artistic copyright from the draughtsman to the manufacturer which is not the purpose of artistic copyright. The courts have, however, so construed the Act in recent years. I am satisfied they have done so because they have applied indirect copying wherever there exists a link between the mechanical drawing and the product without considering the purpose that this achieves. I believe this to have been a false step and to have brought about a result never intended by Parliament.
I appreciate, of course, that many design drawings in industry may serve a dual purpose in that the designer employs or is employed to use his skills to produce an object which is in itself attractive and that such a design drawing may also serve the purpose of an instruction to the craftsman or machinist who is to produce the object. No doubt, this applies in the jewellery trade and also in the fashion trade. The work and labour of such designers applied to producing objects attractive in themselves is as worthy of the protection of indirect copying as the work of the artist who paints a picture. Nothing I say is intended to cast doubt upon the justification for extending the protection of indirect copying to such cases. Where, however, the draughtsman has produced a mechanical drawing or a blueprint of a purely functional object the construction of reproducing in s 3(5) should not be extended to include ‘indirect copying’ but should be limited to its natural meaning of direct copying. This construction will achieve the true purpose of Parliament by giving the protection of artistic copyright to preserve the commercial value of his work and labour and at the same time honour the intention of Parliament, expressed through the [Registered Designs] Act 1949, that protection should not be extended to manufacture of purely functional objects devoid of eye appeal.

But would your Lordships be justified in departing from the construction of the Act as it has been applied in recent years and as it was undoubtedly applied by this House in the Swish case? I am very conscious of the fact that I am but a tyro in this field of law, but I have had the benefit of wide-ranging instruction over a period of many days of learned arguments that have covered the entire history of the evolution of artistic and design copyright. At the end of the day I am convinced that the courts have taken a wrong turning and misconstrued Parliament’s intentions. The error is of recent origin in the history of copyright and I believe that now, after the benefit of far wider-ranging argument on the true scope of artistic copyright than has hitherto been addressed to your Lordships’ House, it would be right to correct it. I consider this to be one of those rare cases in which your Lordships are justified in departing from a previous decision of this House pursuant to the Practice Statement (Judicial Precedence) [1966] 1 WLR 1234.

I would, therefore, hold that ‘reproducing’ in s 3(5) should not be given the extended meaning of ‘indirect copying’ in cases in which the mechanical drawing or blueprint is of a purely functional object. In such cases the scope of artistic copyright should be limited to the natural meaning of the words, namely direct copying including using the drawing to make the object it depicts. Applying this definition I would hold that Armstrong have not infringed the copyright in the mechanical drawings by copying the exhaust pipe without seeing or receiving any assistance from the drawings and for this reason I would allow this appeal.

I must also admit that I am emboldened to depart from the recent cases because of my misgivings about the alternative solution to the problem presented by this case which is favoured by others of your Lordships, namely the creation of a spare parts exception to the law of copyright. If I had been persuaded that on its true construction the Copyright Act 1956 extended the protection of indirect copying to all mechanical drawings and blueprints I
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should find the greatest difficulty in refusing to enforce that protection because it might, in some circumstances, make it more difficult or expensive for the owner of a machine to obtain a spare part. Whenever Parliament grants a right in the nature of a monopoly, and copyright is such a right, it inevitably interferes in some respects with the freedoms of the public that would exist apart from the monopoly. If a manufacturer has obtained a patent that protects a part of a motor car, let us say the carburettor, it is well established that although the owner of the car may repair the carburettor without infringing the rights of the owner of the patent he is not at liberty to go so far as to have the carburettor replaced by copying it. See *Sirdar Rubber Company Ltd v Wallington Weston & Co* (1907) 24 RPC 539, 543, where Lord Halsbury said:

The principle is quite clear although its application sometimes difficult; you may prolong the life of a licensed article but you must not make a new one under the cover of repair.

The same principle would apply to part of a motor car for which the manufacturer had obtained a design copyright, let us say the mascot; it could be repaired but it could not be replaced by copying it without the licence of the manufacturer.

If, as I must for the purpose of this argument, I assume that Parliament has, through copyright, given a monopolistic right to the manufacturer in the shape of his spare parts, upon what principle is the court free to refuse to enforce that right given by Parliament to the manufacturer? It is said that the manufacturer would be derogating from his grant if he enforced his copyright against another manufacturer because it would interfere with the right of the user of the car to have it repaired. The interference is said to flow from the fact that the spare parts market might be smaller if spare parts could only be produced with the licence of the original manufacturer. This is obviously a possibility but it applies equally to patented items and items protected by design copyright and is an obvious consequence of the grant of a right in the nature of a monopoly.

It seems to me highly improbable that a motor car manufacturer would exploit his copyright either to starve the spare parts market or to increase the fair price for his spare parts, for I can think of nothing more damaging to his prospects of selling the car in the first place. However, if it did prove that the right Parliament had given was being abused it is, I think, for Parliament to correct the abuse and not for the courts to refuse to enforce a right that Parliament has given, particularly when it is quite obvious that the exercise of the right must impinge, to some extent, upon the rights of others.

One way in which Parliament could guard against possible abuse in the spare parts market would be to make provision for compulsory licensing as is done in the case of patents and design copyright. The fact that Parliament has not done so is, of course, yet another reason that convinces me that it never intended copyright to be used to protect the spare parts market. No case has been cited to your Lordships in which the courts have refused to enforce a statutory right because it impinged on other freedoms, yet the examples of such a state of affairs must be legion. I regret that I feel unable to follow your
Lordships down this untrodden path. I agree with Oliver LJ that on the assumption that copyright protects the exhaust pipe there is no principle of law on which it would be right to refuse BL relief against Armstrong. However, as I have said, I would allow the appeal on other grounds.

Lord Templeman found a way to limit the extent of intellectual property protection in this case by referring to another area of law:

As between landlord and tenant and as between the vendor and purchaser of land, the law has long recognised that ‘a grantor having given a thing with one hand is not to take away the means of enjoying it with the other’ per Owen LJ in Birmingham, Dudley & District Banking Co v Ross (1888) 38 Ch D 295 at 313. In Browne v Flower [1911] 1 Ch 219, 225 Parker J said that:

… The implications usually explained by the maxim that no one can derogate from his own grant do not stop short with easements. Under certain circumstances there will be implied on the part of the grantor or lessor obligations which restrict the user of the land retained by him further than can be explained by the implication of any easement known to the law. Thus, if the grant or demise be made for a particular purpose, the grantor or lessor comes under an obligation not to use the land retained by him in such a way as to render the land granted or demised unfit or materially less fit for the particular purpose for which the grant or demise was made.

These principles were followed in Harmer v Jumbil (Nigeria) Tin Areas Ltd [1921] 1 Ch 200; O’Cedar Ltd v Slough Trading Co Ltd [1927] 2 KB 123; Matania v The National & Provincial Bank Ltd [1936] 2 All ER 633 and Ward v Kirkland [1967] Ch 194.

I see no reason why the principle that a grantor will not be allowed to derogate from his grant by using property retained by him in such a way as to render property granted by him unfit or materially unfit for the purpose for which the grant was made should not apply to the sale of a car. In relation to land, the principle has been said to apply:

… beyond cases in which the purpose of the grant is frustrated to cases in which that purpose can still be achieved albeit at a greater expense or with less convenience;

per Branson J in O’Cedar Ltd v Slough Trading Co Ltd at 127. The principle applied to a motor car manufactured in accordance with engineering drawings and sold with components which are bound to fail during the life of the car prohibits the copyright owner of the drawings from exercising his copyright powers in such a way as to prevent the car from functioning unless the owner of the car buys replacement parts from the copyright owner or his licensee.

BL own the car and the copyright in a drawing of an exhaust pipe fitted to the car. BL sell the car and retain the copyright. The exercise by BL of their copyright in the drawing will render the car unfit for the purpose for which the car be held. BL cannot exercise their copyright so as to prevent the car being repaired by replacement of the exhaust pipe.
A purchaser of a patented article may carry out repair to it without being held liable for infringement. On the other hand he cannot manufacture a new article which infringes the patent and claim that he has not infringed merely because in the manufacture he has used parts derived from a patented article sold by the patentee; see *Dunlop Pneumatic Tyre Co Ltd v Neal* [1899] 1 Ch 807 and *Dunlop Pneumatic Tyre Co Ltd v Holborn Tyre Co Ltd* (1901) 18 RPC 209. In *Sirdar Rubber Co Ltd v Wallington Weston & Co* (1905) 22 RPC 257 there was a compound patent of a metal wheel rim of a particular shape to receive a rubber tyre. Swinfen-Eady J said at p 266:

> Unless the purchaser is able to have new rubber placed in the rim, he cannot obtain the use of the patented article for the fair period of its life. This is not a repair amounting to reconstruction, and a new article, but a fair repair; the old metal rim, the distinguishing feature of the invention, being retained, not colourably, but become essential and practically as good as new, and a fresh rubber put to replace the old worn out one.

[Lord Templeman then quoted the extract from Lord Halsbury’s judgment quoted by Lord Griffiths.]

In *Dunlop Pneumatic Tyre Co Ltd v David Mosely & Sons Ltd* [1904] 1 Ch 612 the Court of Appeal held that the manufacture and sale of a tyre to be used to infringe a combination patent for a tyre and rim for cycle and other vehicle wheels was not itself an infringement of the patents. Having so found, Cozens-Hardy LJ said at p 621:

> ... I think, speaking for myself, that there may be a third class of cases in which the supply by the defendants may be perfectly lawful – I mean for the purpose of repair. The word ‘repair’ is no doubt a difficult one to construe, but I do not think that *Dunlop Pneumatic Tyre Co Ltd v Neal* [1899] 1 Ch 807 justifies the construction which was put upon it by the appellants’ counsel. I certainly doubt – I will not say any more than that – whether the holder of a licensed tyre may not replace a worn out cover without being guilty of an infringement of the patent. It is not necessary to decide that point now, and I only desire to keep that point open for future consideration.

In *Solar Thomson Engineering Co Ltd v Barton* [1977] RPC 537 the plaintiffs sold a conveyor system which included patented pulley wheels having elastomeric rings in peripheral grooves. The plaintiffs’ articles, including the rings, were made in accordance with their production drawings in which they claimed copyright. A purchaser of the conveyor system from the plaintiffs instructed repairers to make and fit new steel rings and the plaintiffs then sued the repairers for infringement of copyright. The Court of Appeal held that there was an implied licence under the plaintiffs’ copyright in their drawings to the extent necessary to enable such repairs to be carried out. At p 560 Buckley J said:

> If I am right in the view I have expressed here about the existence here of an implied licence under the patent to repair pulleys by replacing worn rubber rings, it must, I think, follow that purchasers of Polyrim pulleys are also impliedly licensed to infringe the plaintiffs’ copyright in their drawings to the extent necessary to enable such repairs to be carried out.
To hold otherwise would be to allow the copyright to stultify the implied licence under the patent.

In the course of the present proceedings Oliver LJ said in the Court of Appeal [1984] FSR 591, 611:

It is, in fact, unnecessary to decide the point, but I can see that there are strong arguments for saying that where a manufacturer sells to a purchaser an expensive piece of machinery containing parts which are inherently likely to wear out during the working lifetime of the machine, he impliedly licenses the purchaser to procure, by copying if it is more advantageous to him, those subsidiary parts, even in a case where the manufacturer is itself willing to supply the parts at whatever it regards as an appropriate price. If such a licence can be implied, there can be no reason for inhibiting the purchaser, when he orders one replacement, from having two or more made against future breakdown during the anticipated life of the machine. But even allowing that such manufacture might be within the implied licence, I find myself quite unable to see how that could constitute some sort of blanket licence from the vehicle manufacturer to any member of the public to copy and manufacture, for sale in the market generally and without specific order, equipment to be made available for purchasers or users of the vehicle manufacturer’s products.

For my part, I base the right to repair on the principle of non-derogation from grant rather than implied licence and I see no difficulty in concluding that suppliers such as Armstrong may make exhaust pipes to be supplied to those cars of BL which require to be repaired by the replacement of exhaust pipes. Every owner of a car has the right to repair it. That right would be useless if suppliers of spare parts were not entitled to anticipate the need for repair. The right cannot, in my view, be withheld by the manufacturer of the car by contract with the first purchaser and cannot be withheld from any subsequent owner. It was suggested on behalf of BL that any such right would only be effective against the manufacturer of the car and not against a subcontractor who manufactured parts for the car and was allowed by BL to retain copyright in the engineering drawings. In my view, the same principle applies to a subcontractor because he knows that he is manufacturing a part of a car to be sold to a purchaser who will need to keep the car in repair. It was also suggested on behalf of BL that if a patentee of a component part, such as a carburettor, can prevent the installation of a replacement carburettor which infringes his patent, it follows that a copyright owner can prevent the installation of a replacement exhaust pipe which indirectly reproduces and infringes the drawing of an exhaust pipe.

There are substantial differences between patent law and copyright law in relation to repairs. First, a patent for an invention is only infringed, for present purposes, where the invention is a product, by a person who ‘makes’ or ‘uses’ the product without the consent of the proprietor of the patent. Where therefore a patented product is sold for use with the consent of the proprietor, repair of the patented product will not constitute an infringement; repair amounting to reconstruction will constitute the manufacture of a new and infringing product. A reproduction of an artistic work or a substantial part of
an artistic work will constitute an infringement of copyright. In Solar Thomson Engineering Co Ltd v Barton the plaintiffs' patent was not infringed by repair but in carrying out that repair the defendants were held to have reproduced a substantial part of the plaintiffs' production drawings and to have infringed copyright in the drawings. Nevertheless, the plaintiff was not allowed to enforce its copyright, otherwise as Buckley LJ said at p 561:

If it were, any purchaser of a patented article might find himself deprived of his ostensible right to repair that article by the existence of a copyright of which he would probably be ignorant when he made the purchase.

In the second place, a patent is granted by statute in respect of a product. The copyright in a drawing of a functional article is infringed by a reproduction of that article. Nevertheless, copyright is granted by statute in respect of the drawing and not in respect of the article. There is, in my view, no inconsistency between, on the one hand, allowing patent rights to be exercised to prevent the reproduction of an article covered by the patent and, on the other hand, not allowing copyright to be exercised in derogation of grant to prevent the reproduction of an article which is not covered by the copyright. In the third place, BL market and sell a car as a form of transport which requires an exhaust pipe in order to function. BL are not selling exhaust pipes. The car sold by BL can only be kept in repair by the replacement of the exhaust pipe which is not the subject of a patent. In these circumstances, in my opinion, BL are not entitled to assert the copyright in their drawing of an exhaust pipe in order to defeat the right of the purchaser to repair his car. The exploitation of copyright law for purposes which were not intended has gone far enough. I see no reason to confer on a manufacturer the right in effect to dictate the terms on which an article sold by him is to be kept in repair and working order. Both the Court of Appeal and Foster J might have been prepared to come to the same conclusion but balked at extending the rights of an owner of a car to keep it in repair to a manufacturer who makes parts solely for repair. I see no difficulty in such an extension, otherwise the right to repair would be useless.

For these reasons I would allow the appeal, discharge the injunctions granted by the Court of Appeal and dismiss BL’s action with costs.

SPECIFIC DESIGNS LAWS

We should now take a look at the specific laws that protect designs in this country, and at the EC proposals. Copyright is effectively excluded from the field, and though for practitioners it is important to know about the transitional provisions, and there is still a remote possibility that a design will enjoy copyright protection, we shall ignore it for present purposes.

To start with, compare the definition of a design in Part 3 of the Copyright, Designs and Patents Act 1988, the Registered Designs Act 1949 (as amended by the 1988 Act) and the draft directive:
Registered Designs Act 1949 (as amended)

1 Designs registrable under Act

(1) In this Act ‘design’ means features of shape, configuration, pattern or ornament applied to an article by any industrial process and which in the finished article appeal to and are judged by the eye, but does not include:

   (a) features of shape or configuration of an article which:

      (i) are dictated solely by the function which the article has to perform; or

      (ii) are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part.

(2) A design which is new may, upon application by the person claiming to be the proprietor, be registered under this Act in respect of any article, or set of articles, specified in the application.

(3) A design shall not be registered in respect of an article if the appearance of the article is not material, that is, if aesthetic considerations are not normally

Copyright, Designs and Patents Act 1988

213 Design right

(1) Design right is a property right which subsists in accordance with this part in an original design.

(2) In this part ‘design’ means the design of any aspect of the shape or configuration (whether internal or external) of the whole or any substantial part of an article.

(3) Design right does not subsist in:

   (a) a method or principle of construction;

   (b) features of shape or configuration of an article which:

      (i) enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function; or

      (ii) are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part;

   (c) surface decoration.

Draft Directive on the legal protection of designs

Article 1

For the purpose of this Directive:

(a) ‘design’ means the appearance of the whole or part of a product resulting from the specific features of the lines, contours, colours, shape and/or materials of the product itself and/or its ornamentation;

(b) ‘product’ means any industrial or handicraft item, including parts intended to be assembled into a complex item, sets or compositions of items, packaging, get-ups, graphic symbols and typographic typefaces, but excluding a computer program.

Article 3

... (2) A design shall be protected by the design right to the extent that it is new and has an individual character.

Article 7

1. A design right shall not subsist in a design to the extent that the realisation of a technical function leaves no freedom as regards arbitrary features of appearance.
(4) A design is not ‘original’ for the purposes of this part if it is commonplace in the design field in question at the time of its creation.

(5) Design right subsists in a design only if the design qualifies for design right protection by reference to:

   (a) the designer or the person by whom the design was commissioned or the designer employed (see ss 218 and 219); or
   
   (b) the person by whom and country in which articles made to the design were first marketed (see s 220),

or in accordance with any order under s 221 (power to make further provision with respect to qualification).

(6) Design right does not subsist unless and until the design has been recorded in a design document or an article has been made to the design.

(7) Design right does not subsist in a design which was so recorded, or to which an article was made, before the commencement of this part.

taken into account to a material extent by persons acquiring or using articles of that description, and could not be so taken into account if the design were to be applied to the article.

(4) A design shall not be regarded as new for the purposes of this Act if it is the same as a design:

   (a) registered in respect of the same or an other article in pursuance of a prior application; or
   
   (b) published in the UK in respect of the same or any other article before the date of the application,

or if it differs from such a design only in immaterial details or in features which are variants commonly used in the trade.

This subsection has effect subject to the provisions of ss 4, 6 and 8 of this Act.

(5) The Secretary of State may by rules provide for excluding from registration under this Act designs for such articles of a primarily literary or artistic character as the Secretary of State thinks fit.

2. A design right shall not subsist in a design to the extent that it must necessarily be reproduced in its exact form and dimensions in order to permit the product in which the design is incorporated or to which it is applied to be mechanically assembled or connected with another product.

... 

Article 14

The rights conferred by a design right shall not be exercised against third parties who, after three years from the first putting on the market of a product incorporating the design or to which the design is applied, use the design ... provided that:

   (a) the product incorporating the design or to which the design is applied is a part of a complex product upon whose appearance the protected design is dependent;
   
   (b) the purpose of such a use is to permit the repair of the complex product so as to restore its original appearance; and
   
   (c) the public is not misled as to the origin of the product used for the repair.
Note that the definition of a design in the 1949 Act is limited to designs, or more properly to features of them, that have eye-appeal. There is no such requirement in the provisions on unregistered design right – deliberately so, since the government was trying to devise a type of protection that would accommodate functional and aesthetic designs. But there is no ‘eye-appeal’ requirement in the proposed directive either, so functional and aesthetic designs will enjoy protection.

Just as in the copyright field there is a distinction between idea and expression, so too in the design field function and form have to be distinguished. In neither area is it easy to draw these distinctions: there are schools of thought in the design world (for instance, the Bauhaus) that maintain that the beauty of a design can lie in the way the article performs its function. Certainly, modern design looks on more than mere ornamentation: this the directive seeks to recognise by not excluding the functional from its scope.

**REGISTERED DESIGNS: REQUIREMENTS FOR PROTECTION**

**Novelty**

To qualify for protection under the Registered Designs Act, a design must be new at the date on which the application for registration is filed (s 1(2)). To be considered new it must not have been previously registered or made available or disclosed to the public in any way whatsoever in the UK:

Section 1(4) A design shall not be regarded as new for the purposes of this Act if it is the same as a design:

(a) registered in respect of the same or an other article in pursuance of a prior application; or

(b) published in the UK in respect of the same or any other article before the date of the application,

or if it differs from such a design only in immaterial details or in features which are variants commonly used in the trade.

This subsection has effect subject to the provisions of ss 4, 6 and 8 of this Act.

Note that this novelty test only applies within the UK. Publication of the design (perhaps in the course of registering it in another country or by marketing articles made to the design) outside the UK will not affect its novelty for these purposes. Most other countries take a global view of novelty, so to register a design in say Germany it must not have been disclosed anywhere in the world prior to the date of the application.
Designs

Its shape, configuration, pattern or ornament must make a materially different appeal to the eye when compared with an earlier design (s 1(3)). Any differences of a kind commonly used in the trade as a variation will be disregarded for this purpose, and in making the comparison both articles must be viewed as a whole.

The proposed directive applies a different test – or rather, pair of tests:

**Article 3**

2. A design shall be protected by a design right to the extent that it is new and has an individual character.

3. A design of a product which constitutes a part of a complex item shall only be considered to be new and to have an individual character in so far as the design applied to the part as such fulfils the requirement as to novelty and individual character.

**Article 4**

1. A design shall be considered new if no identical design has been made available to the public before the date of filing the application for registration or if a priority is claimed, at the date of priority; designs shall be deemed to be identical if their specific features differ only in immaterial details.

2. A design shall be deemed to have been made available to the public if it has been published following registration or otherwise exhibited, used in trade or otherwise disclosed. It shall not, however, be deemed to have been made available to the public for the sole reason that it has been disclosed to a third person under explicit or implicit conditions of confidentiality.

**Article 5**

1. A design shall be considered to have an individual character if the overall impression it produces on the informed user differs significantly from the overall impression produced on such a user by any design referred to in paragraph (2).

2. To be considered for the purpose of application of paragraph (1) a design must be:
   
   (a) commercialised in the market place, whether in the Community or elsewhere, at the date of the filing of the application for registration or, if a priority is claimed, at the date of priority; or
   
   (b) published following registration as a registered Community design or a design right of the Member State in question. the protection of which has not expired at the date of filing the application or registration or, if a priority is claimed, at the date of priority.

3. In order to assess individual character, common features shall as a matter of principle be given more weight than differences and the degree of freedom of the designer in developing the design shall be taken into consideration.
It is possible to disclose the design without losing its novelty and therefore making it unregistrable. This is extremely useful for designers who are not sure whether articles made to their design will sell; it allows them to test the market before incurring the cost of applying for registration. This exception, however, is very limited: it applies only to display at an exhibition certified by the Department of Trade and Industry, and even then an application for registration must be filed not more than six months after the opening of the exhibition.

**Functional design features**

Where the shape or a feature of an article is dictated by the function which the article has to perform the design of that feature will be specifically excluded from registration. Design right is the appropriate way of protecting such items.

Works of sculpture (unless they are going to be used for mass production), wall plaques, medals and medallions, and printed matter primarily of a literary or artistic character, are also excluded from registration. These are all matters which are proper to copyright.

**‘Must match’**

In the course of the passage of the 1988 Act, the car panel industry lobbied hard for an exception to cover its products. The government agreed in its white paper, *Industrial Property and Innovation* (Cmdn 9702) that a ‘must fit’ exception to the proposed new unregistered design right was needed, and this it duly introduced (see below). No such provision was needed in the Registered Designs Act, since the exclusion of functional features covered the matter. But the panel manufacturers wanted more.

A replacement body panel does not merely have to fit into the gap left by the damaged panel. It must match the original shape of the damaged one, otherwise the appearance of the car (or other repaired article, though in practical terms this applies only to cars) will be adversely affected and the supplier of those panels will find them hard to sell. The government accepted that an exception was needed to exclude such features of a design from the scope of protection under the Registered Designs Act, and also under the new unregistered design right provisions (interestingly, since UDR is not generally concerned with individual features of a design).

Accordingly, s 1(1) contains an exclusion for:

(a) features of shape or configuration of an article which:

...  

(2) are dependent upon the appearance of another article of which the article is intended by the author of the design to form an integral part.
The same problem arose in the case of the EC directive. ‘Must fit’ parts were covered, but the original version of the draft directive lacked anything remotely like the ‘must match’ exception. However, by the time the Commission came to publish its proposal in the Official Journal (OJ 1993 No C 345/14, 23 December 1993) it included a ‘repair clause’:

**Article 14**

The rights conferred by a design right shall not be exercised against third parties who, after three years from the first putting on the market of a product incorporating the design or to which the design is applied, use the design under Article 12, provided that:

(a) the product incorporating the design or to which the design is applied is part of a complex product upon whose appearance the protected design is dependent;

(b) the purpose of such a use is to permit the repair of the complex product so as to restore its original appearance; and

(c) the public is not misled as to the origin of the product used for the repair.

Subsequently, the balance swung back a little in favour of the vehicle manufacturers as the European Parliament substituted a ‘royalty clause’. Like the licensing of right provisions in our law, this would provide compensation for the owner of the rights but unlike the repair clause it would come into operation immediately. This is not such a problem as it might seem for the rights owners, since the three years the repair clause gave covered precisely that period when the population of the new model was growing to a level where demand for spare parts would achieve a reasonable level and attract competition. Up to about that date, the vehicle manufacturer would enjoy a natural monopoly anyway.

**Article 14 Use of a design for repair purposes**

1. By way of derogation from Article 12, the rights conferred by a design right shall not be exercised against third parties who use the design, provided that:

(a) the product incorporating the design or to which the design is applied is a component part of a complex product on whose appearance the protected design is dependent; and

(b) the purpose of such a use is to permit the repair of the complex product so as to restore its original appearance; and

(c) the public is informed as to the origin of the product used for the repair by the use of an indelible marking, such as a trade mark or a trade name, or in another appropriate form; and

(d) the third party has:

i) notified the right holder of the intended use of the design;

ii) offered the right holder a fair and reasonable remuneration for that use; and
iii) offered to provide the right holder in a regular and reliable manner with information as to the scale of the use made of the design under this provision.

2. Save as otherwise agreed, the obligations mentioned in (1) (d) shall be incurred by the manufacturer or, in the case of the import of a component part not manufactured in the Member State where the protection applies, by the importer of the component part into which the design is to be incorporated or to which it is to be applied.

3. In calculating the remuneration, the investment made in development of the relevant design shall be the primary basis for consideration.

4. Paragraph 1 shall not apply if the right holder provides evidence to sustain a claim that the party upon whom the obligations under (1) (d) are incumbent is unable or unwilling to comply with them, or to pay the remuneration offered by him.

5. No later than five years after the implementation date specified in Article 19, the Commission shall submit an analysis of the consequences of the provisions of this Article for the Community industrial sectors most affected, and in particular for manufacturers of complex products such as motor vehicles and producers of spare parts. If necessary, it shall propose to the European Parliament and the Council changes to this Article, after consulting the above mentioned sectors.

Application to article

Designs must be applied to a specific type of article, which must be an article of manufacture (s 44). A design for a part of an article may be registered if that part is made and sold separately.

Sometimes, designs may be applied to two or more articles which form a set. To qualify as a set, the articles must be sold, or intended for use, together and must share a common identity of design.

That means that they may be slightly varied versions of the same basic design and similar in appearance, but not merely decorated in the same style. The settee and armchair of a three-piece suite may constitute a set since the settee may be considered a widened version of the chair design, but pieces of a chess set which are specifically designed to be distinguishable from each other will not make up a set. They will have to be registered individually.

Similarly the design for a letter of the alphabet in a particular typeface may be registered, but the complete font of characters will not be a set because the essence of them is that each is different.

A tea set where all the pieces are decorated with the same pattern or slight variations of it may be registered as a set only if protection is claimed for the pattern or ornament and not for the shape or configuration.
Where a design which is applied to a set is registered, the proprietor gets the same protection as if the design for each article had been registered individually.

In *Ford Motor Company and Iveco Fiat’s Design Applications* [1993] RPC 417–24 the Registered Designs Appeal Tribunal held that designs for certain replacement parts for motor vehicles were not registrable. Designs for other parts could, however, be registered. Here is the decision of the Tribunal (J Jeffs, Esq, QC): the applicants appealed against the refusal of registration, and Ford (though not Iveco) went to the House of Lords on the matter. The House of Lords upheld the Tribunal’s decision, and its decision can be found at [1995] 1 WLR 18:

The Act includes an interpretation clause which, so far as relevant for the purpose of these appeals, reads as follows:

44(1) In this Act, except where the context otherwise requires, the following expressions have the meanings hereby respectively assigned by them, that is to say:

... ‘Article’ means any article of manufacture and includes any part of an article if that part is made and sold separately.

Here again there are difficulties. In the first place, there is the question whether the context of s 1(1) requires an alternative meaning. Second, what is meant by ‘made and sold separately’? This apparently simple phrase is not quite so simple as it seems, but I shall return to this. Before leaving the Act, I must refer to one of the provisions which was canvassed in argument. Section 7(6) reads: ‘The right in a registered design is not infringed by the reproduction of a feature of the design which, by virtue of s 1(1)(b), is left out of account in determining whether the design is registrable’. In the parliamentary debates preceding the passing of the bill, and subsequently in the analyses of many commentators, the provisions of s 1(1)(b)(1) have been referred to as the ‘must fit’ provisions and those of s 1(1)(b)(2) have been referred to as the ‘must match’ provisions. This is a useful shorthand and I shall use it. As I have already mentioned, all the designs are for components of motor vehicles. Such vehicles are assembled from a number of component parts: main body panels, doors, the bonnet lid, the boot lid, the windscreen, and suchlike, all of which form part and contribute to the overall shape and appearance of the vehicle. I shall consider these first and shall refer to them as the first group. Then there are parts which, while *in situ* are contributing features to the appearance of the vehicle, are subsidiary to its essential shape. These include such items as wing mirrors, wheels, seats and the steering wheel, where substitutions are possible while leaving the general shape and appearance of the vehicle unaffected. I shall consider these separately later and shall refer to them as the second group.

Turning then to the first group of components, let me take as an example a door panel. In the ordinary meaning of the English language, this is an article. It does not follow that it is an ‘article’ within the definition of s 44(1) which I have set out above. It forms part of the vehicle, which is itself an article. It is undoubtedly made separately for the purpose of being assembled into the
vehicle. It is also sold separately as vehicle owners have the misfortune or having to replace their door panels following damage or deterioration. Spares have to be available. But they are not sold separately in the sense that someone who does not own a particular kind of vehicle might want to go into a shop and buy a door panel for general use. They have no general use and no use at all, save as replacement components for vehicles of a particular kind. That is what the authors of the designs intend them to be used for. There has been surprisingly little (perhaps one should say gratifyingly little) litigation under the Registered Designs Act and the diligence of counsel has not been able to produce any authority directly on this point. The matter was considered indirectly by Graham J in Sifam Electrical Instrument Company Limited v Sazlgamo Weston Limited [1973] RPC 899. There the question was whether a design was registrable under the Registered Designs Act 1949 having regard to a defence to an action for infringement provided by s 10 of the Copyright Act 1956 in a case where a design was registrable. The subject-matter of the action was a design for the front of an electric meter. At pp 913 and 914 of the report, the judge said this:

I come then to the final question: Was the design of the meter front in sketch No 10 registrable under the Designs Act, 1949? This depends on the words of ss 1 and 44 of that Act. Section 1(1) reads: ‘A design may be registered under this Act in respect of any article or set of articles specified in the application. Section 44 defines article as including ‘any part of an article if that part is made and sold separately’. The meter front here is not now and never has been sold separately nor was it ever intended that it should be. The words of the section are, however, difficult because they cannot be read strictly literally. If an article or part of an article is in fact being sold at the time of the application to register that in itself would invalidate the registration because the design would have been published and would not be ‘new or original’ within subsection (2). What then do the words mean? The defendants say they mean ‘susceptible of being sold separately’, which they say this meter front is. But here again any part of any article is susceptible of being sold separately even if, for example, the part has to be forcibly removed from the whole of the article of which it forms a part. A possible dividing line might be drawn between parts which are detachable and parts which are not, but again nowadays it is common to sell parts of larger articles which are intended to be permanently fixed to the larger article of which they are to form part by welding or other permanent fixing. Why should articles not be registrable for such parts which are susceptible of industrial design and of being dealt with as articles of commerce? However to give the words such a meaning would have the effect that any part of any article could then be registered and thus would defeat the apparent intention of the Act. One might also then ask: When is part of an article not an article in its own right? I find the matter difficult to decide, but on the whole I think the intention must be to grant registration only for such articles as are intended by the proprietor of the design to be put on the market and sold separately, such as for example a hammer handle, or the bit of a bradawl. This happens also, I understand, to be in accordance with the present practice of the Registrar,
that is, the Comptroller General of Patents, Designs and Trademarks. By way of contrast reference in this connection was made to designs Nos 935, 397, 941,702 and 946,801 of the defendants in this case. These designs are really to cover their design of new meter fronts, but they have only been allowed to be registered as shown there, that is as forming part of the whole meter illustrated in each case, though novelty is only claimed in respect of the part coloured blue, that is the new fronts. The whole position is to my mind not at all satisfactory, and ought to be considered with a view to clarification by suitable amending legislation. In the meantime I have to decide what the phrase means, and consider, as I say, that the only possible interpretation, which does not do undue violence to the intention of the Act or present office practice, which it is not desirable to upset if it can be avoided, is to give them the meaning ‘is to be sold separately’.

The words used are ‘if that part is made and sold separately’, and the phrase as a whole, to my mind, confirms that both the manufacture and sale of the part in question must be operations which are distinct from the manufacture and sale of the whole article of which the ‘part’ forms a component. It is necessary to imply the words ‘to be’ in order to construe the phrase as not including sale of the particular part prior to or at the date of the application for registration since this would produce an absurd result contrary to s 1(2), would invalidate the registration, and cannot possibly have been the intention of the legislature.

The facts of the instant case are of course very different from those being considered by Graham J, who decided, following the reasoning which I have given in full, that the meter fronts were not registrable. Here the door panels have no reality as articles of commerce apart from their forming part of a complete vehicle, unlike the hammer handle postulated by the judge which could presumably be fitted to any number of different heads. I am therefore of the view that door panels are not registrable. It has been argued that a more general meaning should be given to the word ‘article’ in s 1, bearing in mind that the definition in s 44 is prefaced by the words ‘... except where the context otherwise demands ...’, but here I do not think that there is any such demand and that to put a wider meaning on the word would defeat the aims of the Act.

That would be enough to deny registration to any of the articles which I have put in the first group, but in case I am wrong about that, I shall now consider s 1(1)(b)(2) – the ‘must match’ section. In the context of this case, ‘another article’ must refer to the vehicle as a whole. Various possible meanings for the word ‘integral’ have been urged upon me, but giving the words their normal English meaning, the door panel is the first ‘article’ and the other ‘article’, of which the article is intended by the author of the design to form an integral part, is the vehicle. The door panel is part of the door and the door forms an essential, integral, part of the vehicle. The word ‘integral’ was, I am informed, inserted at a late stage in the passage of the bill to avoid difficulties with items which do not stand alone but which nevertheless do not form part of a whole, such as cups and saucers or knives and forks. The word is apt for the purpose of avoiding the difficulties that such items might otherwise raise.

Some parts of a vehicle may be replaceable with parts of a different configuration. For instance, a steering wheel may be replaced deliberately with
an alternative wheel of a sportier design while leaving the general appearance of the vehicle unchanged, but that does not apply to a door panel. As a matter of practical common sense, if a door panel is to be replaced, it must be replaced by one which, for all practical purposes, is the same as the original. This approach would deprive all the body components of the kind listed in the first group of registrability. To overcome this sweeping consequence, the appellants/applicants urge me (as they urged the Superintending Examiner) to adopt an ‘n-1’ approach. On such an approach, one could consider the vehicle with the door removed, but in my judgment this approach is not the right one. The designer of the door did not intend it to form an integral part of a vehicle X with a door missing. From its first conception, the door X was intended to form an integral part of a complete vehicle. Moreover, one has the difficulty that there are doors on both sides. The one is generally the mirror image of the other, though there may be minor differences, as when an additional window is inserted low down in the driver’s door of a lorry and is omitted from the passenger’s door. But even when there are slight modifications such as that, the general shape and configuration of one door is decided by the other. It must match. To overcome this difficulty, it was suggested that I should adopt an ‘n-2’ approach, notionally taking off both doors, but it appears to me that this approach is even more artificial than the ‘n-1’ approach and I reject it for the same reason. Such components are ‘must match’ and are unregistrable owing to the provisions of s (1)(b)(2) of the Act.

I come now to the second group of components, such items as wing mirrors, wheels, seats and the steering wheel. All of them are visible on the car as sold but substitutions can be made without radically affecting the appearance or identity of the vehicle. It is such standard practice that I can take judicial notice of the fact that alternatives may be offered for items such as these and an owner may choose to substitute proprietary items in order to give his vehicle a sportier appearance, or (where a seat is concerned) greater comfort, or for a variety of other reasons. Although if any substitution is made the owner may wish it to blend in the general style of the vehicle, I am of the view that such items are not ‘dependent upon the appearance of another article’. In reaching this view, I have not lost sight of the fact that it is usual to have some of these items in sets: matching wing mirrors. For instance, and four wheels. In such circumstances it is necessary to consider a set and such sets are not dependent on the appearance of another article. Another example that was canvassed before me in argument were the buttons for a garment. No doubt they would have to be appropriate for the garment and they will generally match one another, but a designer is faced with a open choice of detail. I have referred to proprietary articles. These components in the second group are by their nature susceptible of being made and sold separately. In my judgment they are not therefore precluded from being registered. While I propose to allow these appeals in respect of components of the second group, it does not of course follow that they will in fact be registered. The applications are frozen in a preliminary stage and the Registrar still has to be satisfied about such requirements as novelty. Even if registered, the applications still be susceptible of further scrutiny by the courts. Their validity can be challenged in any infringement action that may be brought. In a case concerning the patentability

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of an agricultural invention – R. v Patents Appeal Tribunal, ex parte Swift & Co [1962] 2 QB 647, [1962] RPC 37 – Lord Parker, CJ, sitting in the Divisional Court, said this:

As it seems to me, the function of the Comptroller General and of the Tribunal under s 6 of the Patents Act 1949, is not to decide finally whether an alleged new manner of manufacture is actually patentable. Rather, their function is only to refuse to allow to proceed applications which on no reasonable grounds could be said to be within the ambit of the Act.

In my judgment a similar approach should be followed by the Registered Designs Appeal Tribunal in a case such as this. I have reached my conclusions on the basis of the wording of the Act and the policy of the legislature that can be discerned from it. The judgment of the House of Lords in Pepper (Inspector of Taxes) v Hart [1992] 3 WLR 1032 opened the way to scrutiny of parliamentary proceedings. The headnote reads:

... the rule excluding reference to parliamentary material as an aid to statutory construction should be relaxed so as to permit such reference where (a) legislation was ambiguous or obscure or led to absurdity, (b) the material relied upon consisted of one or more statements by a minister or other promoter of the Bill together if necessary with such other parliamentary material as was necessary to understand such statements and their effect and (c) the statements relied upon were clear ...

I have been shown long extracts from the parliamentary debates, as was the Superintending Examiner. This is a case in which I think it proper to look at those debates as the Act is undoubtedly ambiguous and obscure. Unfortunately many of the ministerial statements to which I was referred were as obscure as the Act but some were undoubtedly helpful. I have had another look at the debates. Some of the passages were picked up by the Superintending Examiner and cited in his decision in the Ford case. In my opinion he lighted on the most helpful passages and at this point I cannot do better than to quote form his decision:

Introducing the Bill for its second reading in the House of Lords, Lord Young of Graffham, then Secretary of State for Trade and Industry, explained that:

The Registered Designs Act will be amended to avoid being used as a back-door method of protecting spare parts and so that protection will only be available for truly aesthetic, stand-alone designs where competitors do not need to be able to copy such designs in order to be able to compete effectively (12 November 1987, col 1479).

During the subsequent committee stage in the House of Lords, Lord Beaverbrook for the government provided an example of a situation where the Bill would allow an entire article to be copied:

The best known example of that situation is a car body panel and in that connection I have heard a good deal about the Bill being a pirate’s charter. Again I have to say very firmly that we do not accept that. The plain fact of the matter is that in this kind of case competitors have absolutely no choice but to copy the entire article. Where the circumstances compel copying we
believe the need for competition in the after-market must prevail. (12 January 1988, cols 1111–1112.)

and in the report stage he confirmed:

I hope that I have made it clear that the Bill will protect spare parts to the extent that they have features of shape and configuration which do not have to be copied in order to fit or match aesthetically. (1 March 1988, col 110.)

Winding up for the government on the second reading in the House of Commons, the minister, Mr Butcher explained:

With regard to spare parts, it has been said that the ‘must match’ exception goes too far in that it would damage the original equipment manufacturers. I do not agree that the provision goes too far just because it will allow copying of entire parts. The point is that in certain important areas of the spare parts market, the only way to ensure that consumers enjoy the benefit of competition is to allow that type of copying. We have ensured that the exception operates only when the part is an integral component of a larger design style, body panels being an obvious example. In that area, the consumer frequently needs to replace the part in question and has no choice but to so with a part of exactly the same shape and appearance. To give a total monopoly over the supply of these spares to the original equipment designer would not, in the government’s view, be desirable. (28 April 1988, cols 597–98.)

Thus, while my review has not been exhaustive and as I indicated I have not had the benefit of any assistance from the applicants in this respect, the cited extracts do seem to provide a clear and consistent indication that the ‘must match’ exception was intended to exclude vehicle body panels and other parts contributing to the appearance of the vehicle. I have been unable to find any contrary indications which would tend to support the alternative interpretations argued for by Ford and Iveco Fiat.

In contrast, I have had the assistance of the applicants. These passages help to explain the genesis of the Act and confirm the construction that I had put upon it without reference to the debates. I have not overlooked the fact that original equipment manufacturers require the protection of registered designs. In the conclusions I have reached, I think they will get it. I have already mentioned that the vehicle designs as a whole have been registered. Furthermore, registration should, in my judgment, be effected in respect of suitable designs coming from what I have described as the second list and I shall deal with specific instances later in this judgment. Earlier in this judgment I referred to s 7(6) of the Act. It would appear that this was inserted following the decision of the Privy Council in Interlego AG v Tyco Industries Inc and Others [1989] AC 217. Its effect is to prevent the reproduction of ‘must fit’ features from being relied upon in infringement proceedings. Many of the designs I am considering in these appeals do contain such features but they must clearly be excluded under s 1 in assessing registrability. Either the component without them is registrable or it is not.

I shall now turn to the separate cases, first to the Iveco Fiat case. I shall eliminate all the components which in my judgment are clearly unregistrable. Where
there is a real element of doubt, the applicant should be given the benefit of that doubt. In some instances there appears to be very little doubt, if any. Those components which are not eliminated can go forward with a view to registration but, as I have already indicated, whether they are in fact registered or not will depend upon the outcome of further consideration that the Registrar will have to give to such matters as novelty.

Application No 2,016,771 is for an industrial vehicle cab panel. Looking at the 10 representations, I doubt whether this is an item which, in terms of s 1, has features which ‘appear to and are judged by the eye’ at all. It is a part with no aesthetic appeal and which ‘must fit’ in with the rest of the car. In any event, though, this is clearly unregistrable for the reasons I have already given.

Application No 2,016,775 is likewise for an industrial vehicle cab panel. There is perhaps a little more to appeal to the eye in this but it is clearly unregistrable for the same reasons.

Application No 2,016,780 is for a door for an industrial vehicle. I accept that this has some eye-appeal but is nevertheless unregistrable for the reasons I have already made clear.

Application No 2,016,790 is for a vehicle fender, or what I have always known as a bumper. This is likewise unregistrable.

Application No 2,016,796 is for an external mirror, connectable to an industrial vehicle cab. It does appear to have some eye appeal, though parts of the design are not protectable as falling within the ‘must fit’ limitation. It is within the second rather than the first group of components that I have set out. I can see no reason why its use should be limited to vehicles of a particular appearance and vehicles of any appearance may be fitted with substitute mirrors without producing a change in their general looks. In my judgment it should proceed to the next stage of registration.

Application No 2,016,800 is for a vehicle lamp. Although no doubt it fits into a specific space on the vehicles for which it was designed, the designer’s evidence is that it could be mounted on a different support of a generic vehicle. This is not such a clear case as the previous one but if there is any doubt the applicant should be given the benefit of it and this application, too, should proceed.

Application No 2,016,805 is for an industrial vehicle cab front screen. This falls within the ‘must match’ criteria and is unregistrable.

Application No 2,016,836 is for a vehicle seat, primarily for an industrial vehicle. It certainly possesses some eye appeal and is the kind of thing that could well be sold separately as a proprietary article for fitting in different vehicles. It does not form part of the essential structure or appearance of the vehicle and could well be replaced with another design if for some reason the owner of the vehicle wanted to do so. The designer states that the seat could be mounted in any vehicle if provided with suitable attachment points. It is an item which could well be copied by another manufacturer for general sale if the design protection were not available. In my judgment this should go forward for possible registration.
Application No 2,016,838 is for an instrument and accessory panel primarily for an industrial vehicle cab. I have no doubt that this falls within the ‘must match’ category and is unregistrable.

Application No 2,016,841 is for a steering wheel. This certainly has eye appeal and, as I pointed out earlier, is just the sort of thing that may be replaced by a proprietary article or sold as such. It should go forward for possible registration.

I come now to the Ford applications.

Application No 2,002,303 is for a hood top – the sort of thing that I have always thought of as a bonnet. The registration of this item is not pressed owing to problems with novelty but in my opinion it is in my judgment unregistrable as it is in the ‘must match’ category.

Application No 2,002,304 is for a cowl. This also falls in the ‘must match’ category and is unregistrable.

Application No 2,002,306 is for a grille and the same applies.

Application No 2,004,649 is for a front bumper and the same applies.

Application No 2,004,659 is for a rear lamp. Here there is an arrangement of coloured lens segments and there is also clearly visible a pattern formed by the configuration of the interior surface of the segments. Mr Ballard gave evidence about this. To some extent the nature of the design was determined by legal requirements but these left a lot of design freedom. So far as the pattern is concerned his evidence is that he chose one of two commercially available patterns: the ‘pillow’ pattern rather than the prismatic pattern. Had the pattern been a new and original one it might have been registrable, as while s 1(1) of the Act refers to ‘features of shape, configuration, pattern or ornament’, s 1(1)(b)(2) is limited to shape or configuration, but in the circumstances separate consideration of this aspect of the design does not arise and accordingly I have reached the conclusion that it falls into the ‘must match’ category and is not registrable.

Application No 2,004,658 is for a ‘hood top with power domes’. There are two of these and only one is actually necessary for the purpose of providing sufficient clearance for the rocker cover of the engine, and I am satisfied that this could he achieved with a variety of different shapes but the ‘must match’ consideration which I analysed in an earlier part of this judgment, equally applies here and the component is not registrable.

I can take applications Nos 2,006,899 and 2,006,901 together. The former is for ‘hood top grilles’ and the latter for ‘hood top with grille apertures’. Both of these fall within the ‘must match’ exception and are unregistrable.

Application No 2,006,900 is for a rear spoiler. No doubt other shapes of spoiler are possible and it may even be that some spare parts manufacturer may see fit to market an alternative, which he should be perfectly at liberty to do and perhaps even to register, but the fact remains that this spoiler forms a distinctive part of the whole vehicle and if the vehicle is to retain its appearance nothing else will do. I therefore form the view that this is a ‘must match’ component and is unregistrable.
Application No 2,006,902 is for a body side panel and application No 2,006,903 is for a rear door panel. I have already considered such components in the general context and in that of the other case. They are clearly unregistrable.

So far all the components I have had to consider have fallen within the first of the two groups which I referred to earlier. I now come to the three components which fall within the second group and I can take them all together. They are applications No 2,015,376, for a wheel, and application Nos 2,019,417 and 2,019,416 for wheel covers. For reasons that I have already sufficiently given, in my judgment these components are inherently registrable and the question of their registrability should be remitted to the Registrar.

Obtaining protection

Applications for registration may only be made by the owners of designs. Applicants may be of any nationality, not necessarily resident in the UK, but they must have an address for service in the UK.

An application to register a design is made on form 2A with the appropriate filing fee, accompanied by clear representations or specimens of the design. For most designs a statement of novelty must also be included, although this requirement does not apply when the design is for wallpaper, lace or textile articles.

On receipt by the registry, an application will be given a filing date and a number. The applicant or agent will then be sent an official receipt. The registry will then check that all the documents have been prepared correctly and make a search.

Pre-existing designs, including those registered in the design registry itself, will be searched, along with other designs published in periodicals, catalogues and other sources, to establish that the design is new.

There is no way, however, that this search can be exhaustive, so the mere fact that a design is accepted for registration cannot be a guarantee of its validity.

This process does not apply to checks and stripes patterns which are applied to textile articles, nor does it apply to lace designs. These are registered without a search.

If the search indicates that the design is not new then the registry will notify its objections to the applicant. The relevant pre-existing designs will be cited.

3(1) An application for the registration of a design shall be made in the prescribed form and shall be filed at the Patent Office in the prescribed manner.

(2) An application for the registration of a design in which design right subsists shall not be entertained unless made by the person claiming to be the design right owner.
(3) For the purpose of deciding whether a design is new, the Registrar may make such searches, if any, as he thinks fit.

(4) The Registrar may, in such cases as may be prescribed, direct that for the purpose of deciding whether a design is new an application shall be treated as made on a date earlier or later than that on which it was in fact made.

(5) The Registrar may refuse an application for the registration of a design or may register the design in pursuance of the application subject to such modifications, if any, as he thinks fit; and a design when registered shall be registered as of the date on which the application was made or is treated as having been made.

(6) An application which, owing to any default or neglect on the part of the applicant, has not been completed so as to enable registration to be effected within such time as may be prescribed shall be deemed to be abandoned.

(7) An appeal lies from any decision of the Registrar under this section.

Where no prior designs are cited against an application, there may still be amendments to be made to the documents to bring them into line with standard requirements. But once all the documents are in order the application can go forward for the grant of a certificate of registration. The process normally takes about four months.

A period of 12 months from the application date is allowed for the application to be put in order for registration. This period may be extended by up to three one-month terms using designs form 8 and paying additional fees. If an application is not in order after 15 months it will be deemed to be abandoned and cannot then be registered. Obviously it is impossible to start again from scratch because the necessary novelty will have disappeared.

At any time after the application has been filed the applicant may manufacture and sell articles made to the design. Corresponding protection abroad may be obtained using international conventions, which will give priority based on the UK filing date.

If the registry objects to registration of a design, the applicant has two months to argue against the objection either by making observations in writing or by applying for a hearing.

A hearing will decide a case on its merits and may overturn the initial objections. It may be that certain modifications still have to be made to the documents before registration can take place. If an application is refused an appeal may be made to the registered Designs Appeal Tribunal, which is part of the High Court.
Ownership

Section 2 of the Act sets out the rules relating to ownership of registered designs:

The author of a design shall be treated for the purposes of this Act as the original proprietor of the design, subject to the following provisions:

(1A) Where a design is created in pursuance of a commission for money or money’s worth, the person commissioning the design shall be treated as the original proprietor of the design.

(1B) Where, in a case not falling within subsection (1A), a design is created by an employee in the course of his employment, his employer shall be treated as the original proprietor of the design.

(2) Where a design, or the right to apply a design to any article, becomes vested, whether by assignment, transmission or operation of law, in any person other than the original proprietor, either alone or jointly with the original proprietor, that other person, or as the case may be the original proprietor and that other person, shall be treated for the purposes of this act as the proprietor of the design or as the proprietor of the design in relation to that article.

(3) In this Act the ‘author’ of a design means the person who creates it.

Content

7(1) The registration of a design under this Act gives the registered proprietor the exclusive right:

(a) to make or import:

(1) for sale or hire; or

(2) for use for the purposes of a trade or business, or

(b) to sell, hire or offer or expose for sale or hire, an article in respect of which the design is registered and to which that design or a design not substantially different from it has been applied.

(2) The right in the registered design is infringed by a person who without the licence of the registered proprietor does anything which by virtue of subsection (1) is the exclusive right of the proprietor.

(3) The right in the registered design is also infringed by a person who, without the licence of the registered proprietor makes anything for enabling any such article to be made, in the UK or elsewhere, as mentioned in subsection (1).

(4) The right in the registered design is also infringed by a person who without the licence of the registered proprietor:

(a) does anything in relation to a kit that would be an infringement if done in relation to the assembled article (see subsection (1)); or

(b) makes anything for enabling a kit to be made or assembled, in the UK or elsewhere, if the assembled article would be such an article as is
mentioned in subsection (I); and for this purpose a ‘kit’ means a complete or substantially complete set of components intended to be assembled into an article.

The extent of the exclusive rights given by restriction are examined in *Gaskell & Chambers Ltd v Measure Master Ltd* [1993] RPC 78–82.

[Aldous J] The plaintiff included in its registered design a statement of novelty that:

The features of the design for which novelty is claimed are the shape and configuration applied to the article as shown in the representations.

Thus the plaintiff limits the monopoly it claims to all the features of shape and configuration, but excludes pattern and ornament.

It is not in dispute that the defendant’s dispensers do not have applied to them the same design as the registered design. Thus the sole question for decision is: do the defendant’s dispensers have applied to them a design which is not substantially different from the registered design?

As is usual in registered design actions, embodiments of the plaintiff’s and defendant’s products and those of competitors were produced and considered by the witnesses. However, care must be taken to exclude from consideration examples of the plaintiff’s dispensers which, in many respects, followed the features of the registered design. The comparison that has to be made is between the representations registered and the alleged infringements. It is necessary in particular to compare the whole of the shape and configuration of the dispenser shown in the representations of the registered design with the alleged infringements. This is particularly relevant in this case as the registered design only contains a ‘front perspective view from above’ and a ‘front perspective view from below’ which results in the back not being shown and only certain features of the side being clearly visible.

The decision whether the registered design and the designs of the alleged infringements are substantially different is for the court and cannot be delegated to the opinions of the witnesses. It must be decided on a comparison of the features which appeal to, and are judged by, the eye. To this, the court must adopt the mantle of a customer who is interested in the design of the articles in question as it is the eye of such an interested person, the interested addressee, which is relevant. To adopt that mantle it is often helpful to look at what was available before the priority date of the registered design as the eye of the interested addressee could be drawn to details if the design of the registered design only differs from the prior art by such details. However where a design differs radically from previous designs then the interested addressee’s eye would be more likely to concentrate on and he would be more likely to remember the general form of the new design rather than the details.

It is settled law that the comparison must be made between the registered design and the alleged infringement side by side and also upon an assumption of ‘now and later’, namely upon the assumption that the two designs are compared side by side and thereafter the interested addressee goes away and comes back later to the alleged infringements. It is in that way that the court
can conclude which features of the design would in reality appeal to and be noticed by the eye and then decide whether the designs are or are not substantially different.

**The registered design**

The design is depicted using two photographs of a dispenser which appear to have been made with a relatively clear plastic. It is possible to see the side plate of the cover plate and the internal parts which would have been hidden if the side plate had been made out of opaque plastic. As the statement of novelty confines the design to the shape and configuration of the dispenser, I am not concerned with whether use of contrast by using clear plastic could be said to produce ornamentation. The relevant features are the shape and configuration of the parts shown whatever the transparency of the plastic.

The registered design also has parts made out of black plastic. The colour of the plastic does not form part of the shape or configuration of the design, but the contrast between the black and transparent parts emphasise differences in shape between the two. The colour is only relevant in so far as it allows the eye to appreciate features of shape and configuration.

The design of the registered design is of course an overall design for a dispenser, but it is convenient to break it down into six features, not all of which have the same importance.

1. The front lens and annulus. The front lens is round, spherical, and is encircled by an annulus with a rectangular advertising space at the top.
2. The lever. Below the lens is a depending lever which tapers to a rounded end as seen from the front. It has a roughly triangular slot and bends towards the front.
3. The cover plate. The sides of the cover plate are roughly triangular and are sufficiently large to cover the mechanism. The top is stepped.
4. The internal mechanism. The working of the dispenser cannot be seen, but there is a rectangular structure behind the lens and within the cover plate.
5. The spout. This is round and tapers towards its outlet.
6. The inlet and cork. The inlet and cork are in line with the outlet. Mr Hanson, who is the sales director of the plaintiff, set out in his evidence a historical review of spirit dispensers and produced, as an annex to his statement, illustrations of the dispensers that were on the market before the priority date of the registered design.

The OPTIC PEARL (annex pp A1 and 2 and model 4) was first manufactured by the plaintiff in the last part of the 19th century and continued to be produced until about 1960. It has a tap at the top, a ‘bullseye’ glass and an inlet and outlet.

In the 1930s the Non-Drip Co produced a different type of dispenser called the NON-DRIP (annex p A3 and model 5) which comes close in design to the type of dispenser that the public is familiar with in modern times. The bottle was inserted into the dispenser and the liquid flowed into a cylindrical sight glass. To release the liquid a glass was pressed up against a T bar which operated the required valves.
After the Second World War, the plaintiff brought on to the market the first of a range of products of generally similar shape called by a name with the suffix -COT. The first was called the ECOT. Others are the GILCOT and NUCOT (see annex pp A4, 5 and 6 and models 6 and 7), although the NUCOT was introduced after 1984. They had inlets with corks, conical side glasses and a push-up bar to operate the valves.

It seems that changes in the weights and measures legislation in the mid-1980s was the impetus to the new designs. In particular, it led to the plaintiff’s design the subject of the registered design.

Mr Thorley, who appeared for the plaintiff, emphasised the differences between the registered design and the prior art devices. Clearly there are differences and my conclusion is the same as Mr Bowskill, the managing director of a company which distributes bar equipment, namely the dispenser of the registered design looks completely different to the traditional type. I accept also that it has an appearance which attracts custom and therefore the interested addressee would not concentrate on the small details of the design.

**Infringement**

The defendant started trading in 1978 and has, since about that time, made dispensers. Prior to the introduction of the DIAMOND range in the late 1980s, its main product was a dispenser having the traditional shape, being a shape similar to the plaintiff’s -COT range. The defendant’s DIAMOND dispensers were designed by Sams Design which is a partnership between Mr Sams and his wife. Mr Sams gave evidence as to show he came to design the DIAMOND dispensers and what he had before him when he was producing the design. That evidence appears to have been given to refute the allegation that the DIAMOND design was copied from the plaintiff’s design.

Whether or not copying took place is, I believe, irrelevant. The test of infringement is an objective test based on a comparison of the registered design and the alleged infringement. Thus a bad copy or a copy of only a part may not infringe but an independent design may do so.

Neither party submitted to the contrary. However Mr Thorley submitted that the evidence of Mr Hanson, that he formed the view that the similarities between the DIAMOND dispensers and the plaintiff’s design were such that he concluded that there had been copying, was relevant. He submitted that if the similarities were such that a reasonable man could infer copying then that was persuasive evidence that the design of the alleged infringement was not substantially different from that of the registered design.

That submission is not correct. Copying can be inferred by one or more similarities but that does not mean that the two designs are not substantially different, which is the test for infringement. I am concerned with the extent of similarity, not the derivation of the defendant’s design.

The DIAMOND Mark 1 dispenses one-sixth of a gill of liquid. It has a front lens and an advertising plaque at the top, a lever, internal mechanism, spout and inlet. Its internal mechanism for dispensing the liquid differs from that used by the plaintiff. It has a family likeness to the registered design in that its sight glass is a round lens at the front and it is operated by a depending lever.
but, such a family likeness does not mean that the two designs are substantially the same or different. Therefore, I turn to compare the various features of the registered design and the DIAMOND Mark 1.

(1) in the registered design the front lens appears concave whereas the lens of the Mark 1 is flat. That is apparent from a side-by-side comparison but would not, I believe, be prominent to the eye of the interested addressee after what I have called a now and later approach. However, I do find the absence of the annulus in the DIAMOND Mark 1 as striking. The annulus in the registered design strikes the eye not only because it is emphasised by the black colour of the plastic, but also because of the way it co-operates with the advertising rectangle at the top.

(2) The lever. The plaintiff submitted that the two levers were similar in design in that both depended and bent in at the bottom. To my eye they are completely different. Their only similarity is that there are levers positioned to be pushed backwards when a glass is placed under the outlet.

(3) The cover plate. The plaintiff accepted that the DIAMOND Mark 1 did not have sides to its cover plate but submitted that in the Mark 1 the operating parts were visible and there was a triangular effect produced by the lines of the plastic moulding.

I understood what was being referred to but the absence of sides to the cover plate strikes the eye and would, I believe, be remembered by an interested addressee adopting a ‘now and later’ approach.

(4) The internal mechanism. In the registered design the internal mechanism is blurred by the sides of the cover plate; but even so the details are very different to those of the Mark 1. The Mark 1 does not have the generally rectangular mechanism.

(5) The spout. This cannot be seen properly in the first representation of the registered design but is readily apparent in the front perspective view from below. It is completely different to the spout of the Mark 1.

(6) The inlet and cork. Although there are differences in detail between the registered design and the Mark 1, I do not consider them to be material.

Even though the registered design depicts a design which is a substantial departure from the prior art and the DIAMOND Mark 1 has a family resemblance to it, I have come to the conclusion that the Mark 1 does not infringe. The registration is for the shape and configuration of the dispenser as a whole and the Mark 1 has a substantially different design to that shown in the registration. The absence of side cover plates, the completely different shape of lever and the absence of an annulus make that conclusion inevitable. The differences of the internal mechanism and spout emphasise it.

As to the DIAMOND Mark 2, the plaintiff accepted that it did not infringe if the Mark 1 did not. Thus I hold that the Mark 2 does not infringe the plaintiff’s design. If I am wrong as to the Mark 1 and it does infringe I suspect I would have concluded that the changes made would not have removed the Mark 2 from the ambit of the plaintiff’s registered design.
As to the DIAMOND 5 cl, this is similar to the Mark 2 but has a prominent conical sight glass. That is a striking feature which would be noted and remembered by the interested addressee. It creates a substantially different appearance. Clearly the 5 cl does not infringe as the Mark 2 does not infringe but, the difference in shape of the sight glass does, in my view, renders the 5 cl a substantially different design to that depicted in the registered design. Therefore I suspect that I would have concluded that the 5 cl would not have infringed even if the Mark 2 had infringed. I conclude that the defendant has not infringed the plaintiff’s registered design.

**Licensing of right**

The potential for abuse arising from the exercise of registered design rights is reduced by the imposition of licences of right. These provisions were inserted into the 1949 Act in the 1988 amendments, and are a direct response to the Monopolies and Mergers Commission report on the Ford Motor Company, on which see further below.

The idea is that if a design proprietor, even after being deprived of protection for any functional features of the design and having the monopoly further eroded by the ‘must match’ exception, has the temerity to use the remaining rights (if indeed there are any) against a competitor or potential competitor, and the MMC considers that this is not in the public interest (perhaps because it results in more expensive replacement parts for cars), an order can be made to require licences to be available as of right:

11A(1) Where a report of the Monopolies and Mergers Commission has been laid before Parliament containing conclusions to the effect:

(a) on a monopoly reference, that a monopoly situation exists and facts found by the Commission operate or may be expected to operate against the public interest;

(b) on a merger reference, that a merger situation qualifying for investigation has been created and the creation of the situation, or particular elements in or consequences of it specified in the report, operate or may be expected to operate against the public interest;

(c) on a competition reference, that a person was engaged in an anti-competitive practice which operated or may be expected to operate against the public interest; or

(d) on a reference under s 11 of the Competition Act 1980 (reference of public bodies and certain other persons), that a person is pursuing a course of conduct which operates against the public interest, the appropriate minister or ministers may apply to the Registrar to take action under this section.

(2) Before making an application the appropriate minister or ministers shall publish, in such manner as he or they think appropriate, a notice describing the nature of the proposed application and shall consider any representations which may be made within 30 days of such publication by
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persons whose interests appear to him or them to be affected.

(3) if on an application under this section it appears to the Registrar that the matters specified in the Commission’s report as being those which in the Commission’s opinion operate, or operated or may be expected to operate, against the public interest.

Duration

8 (1) The right in a registered design subsists in the first instance for a period of five years from the date of the registration of the design.

(2) The period for which the right subsists may be extended for a second, third, fourth and fifth period of five years, by applying to the Registrar for an extension and paying the prescribed renewal fee.

(3) If the first, second, third or fourth period expires without such application and payment being made, the right shall cease to have effect; and the Registrar shall, in accordance with rules made by the Secretary of State, notify the proprietor of that fact.

(4) If during the period of six months immediately following the end of that period an application for extension is made and the prescribed renewal fee and any prescribed additional fee is paid, the right shall be treated as if it had never expired, with the result that:

(a) anything done under or in relation to the right during that further period shall be treated as valid;

(b) an act which would have constituted an infringement of the right if it had not expired shall be treated as an infringement; and

(c) an act which would have constituted use of the design for the services of the Crown if the right had not expired shall be treated as such use.

(5) Where it is shown that a registered design:

(a) was at the time it was registered a corresponding design in relation to an artistic work in which copyright subsists; and

(b) by reason of a previous use of that work would not have been registrable but for s 6(4) of this Act (registration despite certain prior applications of design), the right in the registered design expires when the copyright in that work expires, if that is earlier than the time at which it would otherwise expire, and it may not thereafter be renewed.

(6) The above provisions have effect subject to the proviso to s 4(1) (registration of same design in respect of other articles, etc).
UNREGISTERED DESIGN RIGHT

CDPA (Part 3) introduced a new regime for the protection of designs. It replaced the indirect protection given to functional designs by the Copyright Act 1956.

Section 51 imposes severe restrictions on the copyright protection of industrial designs. Designs will be protected not by copyright but by the new design right. If they have the requisite eye-appeal they may also qualify for protection under the Registered Designs Act 1949, as amended.

Some copyright protection remains for what the Act refers to as ‘design documents’. This is of no practical importance.

Subject-matter

213 (1) Design right is a property right which subsists in accordance with this part in an original design.

Design right subsists in original designs, just as copyright does in original works. There is no need for there to be a design drawing or other document, as with copyright (though the design does have to be fixed in some form).

Definition of a design

Section 213(2) defines ‘design’ to mean the design of any aspect of the shape or configuration of the whole or part of an article. This means the overall appearance or form of an article, or any part of it. (Registered designs, by contrast, are largely concerned with particular features of a design.)

Design right only subsists if the design is of an article; it must be a design which the designer intended to apply to articles. The Act does not contain a definition of ‘article’, but presumably the same interpretation as that applied in the case of the Registered Designs Act will be used (see above).

Functional and aesthetic designs

Design right is intended to cover designs which are functional rather than aesthetically pleasing; artistic designs are not disqualified from design right protection but will enjoy 25 years’ protection if they are registered under the Registered Designs Act 1949 as amended, so there is a strong incentive not to rely on design right if registration is available.

The point that design right applies irrespective of how functional a design might be is reinforced by the fact that the definition of a design specifically includes the internal as well as the external shape or configuration of an
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article. The design, when applied to an article, need not even be visible to the naked eye.

Design right does not subsist in certain situations. Some of these designs are also excluded from the definition of ‘design’ in the 1949 Act, as amended, so they cannot be registered.

The definition of design excludes the underlying principles or ideas behind the design. If they are to be protected at all, they are properly matters for the patent system.

213 (2) In this part ‘design’ means the design of any aspect of the shape or configuration (whether internal or external) of the whole or any substantial part of an article.

(3) Design right does not subsist in:
   (a) a method or principle of construction;
   (b) features of shape or configuration of an article which:
      (1) enable the article to be connected to, or placed in, around or against, another article so that either article may perform its function; or
      (2) are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part; or
   (c) surface decoration.

The ‘must fit’ and ‘must match’ exceptions are intended to prevent design right conferring a monopoly and thereby to preserve competition. They permit copying where design constraints compel it.

‘Must fit’

Design right does not subsist in those parts of the design of an article which are used to fit or connect an article to another so that either article may perform its intended function. This exception is particularly intended to withdraw protection from spare parts which must fit in to existing equipment.

Notice that it is not the design for the spare part itself which is excluded from protection, but only the design for those features of shape or configuration of the article which enable it to fit. A competitor who wishes to produce an article will still be prevented from copying the free-standing parts of the design but will be able to copy the connecting features. These may be applied to the second design to produce a competing article which will fit and function.
‘Must match’

The ‘must match’ exception excludes from protection features which are dependent upon the appearance of another article of which the article is intended by the designer to form an integral part.

It is intended to apply where there is a need for articles which are part of a single object to match the appearance of the rest of that object as a whole – it does not apply to pieces from a set of cutlery.

The exception is intended to cover the situation where a part is needed to restore the aesthetic appearance of an article. In such a case certain features of the design may be covered by the ‘must fit’ exception. The other features of the design are not free-standing since the designer has to reproduce the shape of the item being replaced if the article is going to serve as a viable replacement. So, wherever, aesthetically, there is no design freedom, design right will not arise.

The need for the features of the design to match another must be considered, at the moment the design is created. So if the shape or design of an article is not dependent on anything else at the time the design is made, design right will subsist. It will be immaterial that at some future stage the use to which the article is put creates a ‘must match’ situation.

Surface decoration is excluded from the scope of design right, again because the right is concerned with the overall form of an article. It may be registered (registration being concerned with features of an article) and may also be protected by copyright.

It is specifically excluded from the definition of a design for the purposes of copyright, so s 51 does not restrict copyright protection. The design right exception is not restricted to situations where dual protection actually exists.

Requirements for protection

(a) Fixation

Just as copyright law requires that a work be fixed in some form before it can be protected, so too unregistered design right only subsists if the design is fixed.

(6) Design right does not subsist unless and until the design has been recorded in a design document or an article has been made to the design.

A design document is defined as any record of a design whether in the form of a drawing, a written description, a photograph, data stored in the computer, or otherwise.

If the design qualifies for protection by reference to its first marketing (see below) then design right will only arise when it is first marketed.
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Design right will not subsist in designs which were fixed in a material form before the commencement of Part 3 of the Act. They will remain protected by copyright under the 1956 Act subject to the transitional provisions set out in paragraphs 19 and 20 of schedule 1 to the Act, which provide:

(a) Protection is limited to a maximum of 10 years from commencement (1 August 1989), unless under the old copyright law it expires earlier.

(b) Licences of right are available for the whole of this period.

(c) The spare parts exception expounded by the House of Lords in *BL v Armstrong* (1986) applies.

(b) Originality

The Act does not elaborate much on the requirement of originality, though it is a concept well understood in copyright law. The basic test of originality is that the design must be independent in the sense that it is not a copy, although it need not necessarily be novel.

In *Interlego v Tyco* [1988] RPC 343 the Privy Council held that a design was not original where the only original input of the designer was to make modifications to the design drawings which were indistinguishable in the article made to the design. Amongst other changes, the radii on the corners of the bricks were altered. This did not start a new term of protection running.

Section 213(4) therefore adds a further limitation, requiring that a design is not commonplace, thus excluding designs which, while they are not copies, are no more than an expression of what is widely known in the design field in question.

(4) A design is not ‘original’ for the purposes of this part if it is commonplace in the design field in question at the time of its creation.

The meaning of this requirement is explored in *C & H Engineering v F Klucznik & Sons Ltd* [1992] FSR 427–29:

[Aldous J] The word ‘original’ in s 213(1) is not defined, but I believe that it should be given the same meaning as the word ‘original’ in s 1(1)(a) of the Act, namely not copied but the independent work of the designer. It should be contrasted with novelty which is the requirement for registration of a registered design. See s 265(4) of the Act.

Section 213(4) says that the design is not original if it is commonplace in the design field in question. The word ‘commonplace’ is not defined but this subsection appears to introduce a consideration akin to novelty. For the design to be original it must be the work of the creator and that work must result in a design which is not commonplace in the relevant field. The designer is the creator and no design right will subsist until the design has been recorded in a document or in an article. Thus the creator is not necessarily the person who records the design but usually will be.
Section 226 appears to require the owner of a design right to establish that copying has taken place before infringement can be proved; that is similar to copyright. However the test of infringement is different. Under s 16 copyright will be infringed if the work, or a substantial part of the work, is copied. Under s 226 there will only be infringement if the design is copied so as to produce articles exactly or substantially to the design. Thus the test for infringement requires the alleged infringing article or articles be compared with the document or article embodying the design. Thereafter the court must decide whether copying took place and, if so, whether the alleged infringing article is made exactly to the design or substantially to that design. Whether or not the alleged infringing article is made substantially to the plaintiff’s design must be an objective test to be decided through the eye of the person to whom the design is directed. Pig fenders are purchased by pig farmers and I have no doubt that they purchase them taking into account price and design. In the present case, the plaintiff’s alleged infringing pig fenders do not have exactly the same design as shown in the defendant’s design document. Thus it is necessary to compare the plaintiff’s pig fenders with the defendant’s design drawing and, looking at the differences and similarities through the eyes of a person such as a pig farmer, decide whether the design of the plaintiff’s pig fender is substantially the same as the design shown in the drawing.

By 1990 pig fenders were commonplace and had been made in metal and wood. In essence Mr Butler wanted a commonplace pig fender with a metal roll bar on the top. He had seen fenders with a wooden roll bar. He gave Mr Jackson the basic measurements needed and the only part of the pig fender shown in the drawing which was not commonplace was the 2-inch tube on the top. Thus the design is the incorporation of the 2-inch pipe into a commonplace pig fender.

The first matter for decision is: who created the design? The defendant submitted that it was Mr Jackson and the plaintiff submitted it was Mr Butler; nobody submitted that they were joint creators. The creator was the person who thought of using a 2-inch pipe on top of a commonplace form of pig fender. I do not know whether it was Mr Jackson or Mr Butler who thought of that design and created it. As I have said, the evidence is conflicting and any conclusion as to who thought of it would be a matter of guesswork. I therefore conclude that the defendant has not established that it is the owner of the design right in its drawing of a pig fender and thus the action for infringement must fail.

Even if I had come to the conclusion that the defendant owned the design right in its drawing, I would have held that the plaintiff had not infringed as its pig fenders are not made to the same design, nor substantially to that design.

The plaintiff produced its pig fender at the suggestion of Mr Kingston. At a meeting with Mr Kingston, Mr Holliday saw one of the defendant’s pig fenders and was given by Mr Kingston the basic dimensions needed for such a device. Those dimensions were incorporated on to a rough sketch which was given to Mr Coleman. Mr Coleman was given a free hand, but was told that the customer insisted on having a round tube on the top. The result was a pig fender with a 48.3 mm tube around the top. The fenders were made stackable by flaring out the sides.
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I have no doubt that the idea of having a tube as the roll bar came from the defendant’s pig fender and therefore copying did take place. However, the plaintiff’s pig fenders are not made exactly to the defendant’s design, and I do not believe that they are made substantially to that design. Metal pig fenders must have an overall similarity due to the function they have to perform, but a person interested in their design would appreciate that the plaintiff’s pig fender was of a different design to that of the defendant although they have in common a tube as the roll bar. In that respect the two designs are substantially the same, but taken as a whole the two designs are not substantially the same. An interested man would be struck by the design features which enable the plaintiff’s pig fender to be stacked. Those features not only attract the eye, but would also be seen by an interested person as being functionally significant. They contrast with the overall design features of the defendant’s pig fender. The interested man looking at the plaintiff’s and the defendant’s pig fenders would consider the two designs to be different, but with a similar design feature – namely, the bar around the top. Therefore the defendant’s claim for infringement of a design right fails.

I will hear counsel as to the appropriate order to make.

(c) Qualification

The rules on qualification for protection are restrictive. Unregistered design right is (the government believed when it introduced it) unique to the UK and therefore it lies outside the international conventions that require foreign copyright or other intellectual property owners to be accorded national treatment, except for the general prohibition in the EC treaty of discrimination between nationals of EC Member States on the grounds of nationality. The rules on qualification were therefore written on a virtually blank sheet of paper:

(5) Design right subsists in a design only if the design qualifies for design right protection by reference to:
   (a) the designer or the person by whom the design was commissioned or the designer employed (see ss 218 and 219); or
   (b) the person by whom and country in which articles made to the design were first marketed (see s 220),
   or in accordance with any order under s 221 (power to make further provision with respect to qualification).

Section 217: Qualifying individuals and qualifying persons

(1) In this part:
   ‘qualifying individual’ means a citizen or subject of, or an individual habitually resident in, a qualifying country; and
   ‘qualifying person’ means a qualifying individual or a body corporate or other body having legal personality which:
   (a) is formed under the law of a part of the UK or another qualifying country; and
(b) has in any qualifying country a place of business at which substantial business activity is carried on.

(2) References in this part to a qualifying person include the Crown and the government of any other qualifying country.

(3) In this section ‘qualifying country’ means:
   (a) the UK;
   (b) a country to which this part extends by virtue of an order under s 255;
   (c) another Member State of the European Economic Community; or
   (d) to the extent that an order under s 256 so provides, a country designated under that section as enjoying reciprocal protection.

(4) The reference in the definition of ‘qualifying individual’ to a person’s being a citizen or subject of a qualifying country shall be construed:
   (a) in relation to the UK, as a reference to his being a British citizen; and
   (b) in relation to a colony of the UK, as a reference to his being a British Dependent Territories’ citizen by connection with that colony.

(5) In determining for the purpose of the definition of ‘qualifying person’ whether substantial business activity is carried on at a place of business in any country, no account shall be taken of dealings in goods which are at all material times outside that country.

Section 218: Qualification by reference to designer

(1) This section applies to a design which is not created in pursuance of a commission or in the course of employment.

(2) A design to which this section applies qualifies for design right protection if the designer is a qualifying individual or, in the case of a computer-generated design, a qualifying person.

(3) A joint design to which this section applies qualifies for design right protection if any of the designers is a qualifying individual or, as the case may be, a qualifying person.

(4) Where a joint design qualifies for design right protection under this section, only those designers who are qualifying individuals or qualifying persons are entitled to design right under s 215(1) (first ownership of design right: entitlement of designer).

Section 219: Qualification by reference to commissioner or employer

(1) A design qualifies for design right protection if it is created in pursuance of a commission from, or in the course of employment with, a qualifying person.

(2) In the case of a joint commission or joint employment a design qualifies for design right protection if any of the commissioners or employers is a qualifying person.

(3) Where a design which is jointly commissioned or created in the course of joint employment qualifies for design right protection under this section, only those commissioners or employers who are qualifying persons are
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entitled to design right under s 215(2) or (3) (first ownership of design right: entitlement of commissioner or employer).

Section 220: Qualification by reference to first marketing

(1) A design which does not qualify for design right protection under s 218 or 219 (qualification by reference to designer, commissioner or employer) qualifies for design right protection if the first marketing of articles made to the design:

(a) is by a qualifying person who is exclusively authorised to put such articles on the market in the UK; and

(b) takes place in the UK, another country to which this part extends by virtue of an order under s 255, or another Member State of the European Economic Community.

(2) If the first marketing of articles made to the design is done jointly by two or more persons, the design qualifies for design right protection if any of those persons meets the requirements specified in subsection (1)(a).

(3) In such a case only the persons who meet those requirements are entitled to design right under s 215(4) (first ownership of design right: entitlement of first marketer of articles made to the design).

(4) In subsection (1)(a) ‘exclusively authorised’ refers:

(a) to authorisation by the person who would have been first owner of design right as designer, commissioner of the design or employer of the designer if he had been a qualifying person, or by a person lawfully claiming under such a person; and

(b) to exclusivity capable of being enforced by legal proceedings in the UK.

Section 221: Power to make further provision as to qualification

(1) Her Majesty may, with a view to fulfilling an international obligation of the UK, by Order in Council provide that a design qualifies for design right protection if such requirements as are specified in the order are met.

(2) An order may make different provision for different descriptions of design or article; and may make such consequential modifications of the operation of s 215 (ownership of design right) and ss 218–20 (other means of qualification) as appear to Her Majesty to be appropriate.

(3) A statutory instrument containing an Order in Council under this section shall be subject to annulment in pursuance of a resolution of either House of Parliament.

Reciprocal protection has not been given to any other countries. The practical effect of this is that designs created in such countries as Japan and the US will enjoy no unregistered design right protection in the UK: nor will they enjoy any greater copyright protection than the residual rights enjoyed by UK nationals.
Content

The Act sets out a number of restricted acts to do which without the authorisation of the design right owner is a primary infringement. Authorising another person to do the act without the consent of the design right owner is also an infringement of design right.

(a) Commercial reproduction

The owner of design right has the exclusive right to reproduce the design for commercial purposes by making articles to the design. They also have the exclusive right (again, for commercial purposes) to reproduce the design by making design documents recording the design to enable such articles to be made.

Reproduction is for commercial purposes if it is done with a view to the article in question being sold or hired in the course of a business.

Infringement therefore only takes place where the reproduction is done for the purpose of selling or hiring things as part of a commercial enterprise whose business lies in those areas. The Act does not say that the business has to be one in the ordinary course of which such things are sold or hired.

Reproduction other than for commercial purposes (which could include use in a commercial business but not for sale in the course of trade or business) is not an infringement. The owner of a launderette is therefore able to make a part for their washing machines without infringing the design right, notwithstanding the commercial use to which the part will be put.

Reproducing a design by making articles to the design means copying the design so as to produce articles exactly or substantially to that design. Making a design document for the purpose of making articles to the design also amounts to reproduction.

This may also, on the face of it, infringe copyright in the design document, but s 236 says that where there is double protection copyright is unenforceable.

The expression ‘design document’ is defined as any record of a design, whether in the form of a drawing, a written description, a photograph, data stored in a computer or otherwise. Making a straightforward copy of a design document may be an infringement of copyright.

(b) Independent creation

Reproduction does not include reproduction by independent creation (subsection (2)). Reproduction only amounts to an infringement if it is by copying and the copy is either exactly or substantially the same as the original.
(c) *Indirect reproduction*

Reproduction may be direct or indirect. Indirect reproduction may involve many stages; it does not matter whether the intervening acts are themselves infringements. For example, it is not an infringement of design right to make a copy of a design document except where this is for the purpose of making an article to the design. However, making a further copy from a non-infringing copy, where the further copy is made for the purpose of making without authorisation an article to the design would be an infringement notwithstanding the one or more non-infringing, intervening stages.

(d) ‘*Infringing Article*’

If making an article to the design to which it is made infringed design right in the design, then it is an infringing article. In the case of an imported article (or an article proposed to be imported) it is an infringing article if it would have infringed design right in the design to which it is made, had it been made in the UK.

Section 226 deals with primary infringement of design right.

(1) The owner of design right in a design has the exclusive right to reproduce the design for commercial purposes:
   (a) by making articles to that design; or
   (b) by making a design document recording the design for the purpose of enabling such articles to be made.

(2) Reproduction of a design by making articles to the design means copying the design so as to produce articles exactly or substantially to that design, and references in this part to making articles to a design shall be construed accordingly.

(3) Design right is infringed by a person who without the licence of the design right owner does, or authorises another to, anything which by virtue of this section is the exclusive right of the design right owner.

(4) For the purposes of this section reproduction may be direct or indirect, and it is immaterial whether any intervening acts themselves infringe the design right.

(5) This section has effect subject to the provisions of Chapter 3 (exceptions to rights of design right owner).

**Secondary infringement**

Certain commercial dealings in infringing articles are secondary infringements of design right. This means that they are generally only actionable if the infringer had knowledge that they did infringe.
Section 227: Secondary infringement: importing or dealing with infringing article

(1) Design right is infringed by a person who, without the licence of the design right owner:
   (a) imports into the UK for commercial purposes; or
   (b) has in his possession for commercial purposes; or
   (c) sells, lets for hire, or offers or exposes for sale or hire, in the course of a business,

an article which is, and which he knows or has reason to believe is, an infringing article.

(2) This section has effect subject to the provisions of Chapter 3 (exceptions to rights of design right owner).

The use of the expression ‘commercial purposes’ significantly narrows the scope of the restricted acts. For a secondary infringement to take place, it must be shown that the alleged infringer knew or had reason to believe that the articles were infringing articles and the onus is on the owner of the design right to prove that the requisite knowledge existed.

The meaning of ‘infringing article’ is key to understanding these infringing acts, and this is set out in s 228.

The secondary infringer must, as with copyright, know or have reason to believe that the article is an infringing one. The test is objective; if the person dealing in the article was in possession of knowledge which would have led a reasonable person to believe that the article was an infringing article, the dealer will be liable even though he did not appreciate the significance of the knowledge and therefore did not realise that the article was an infringing one.

(1) In this part ‘infringing article’, in relation to a design, shall be construed in accordance with this section.

(2) An article is an infringing article if its making to that design was an infringement of design right in the design.

(3) An article is also an infringing article if:
   (a) it has been or is proposed to be imported into the UK; and
   (b) its making to that design in the UK would have been an infringement of design right in the design or a breach of an exclusive licence agreement relating to the design.

(4) Where it is shown that an article is made to a design in which design right subsists or has subsisted at any time, it shall be presumed until the contrary is proved that the article was made at a time when design right subsisted.

(5) Nothing in subsection (3) shall be construed as applying to an article which may lawfully be imported into the UK by virtue of any enforceable Community right within the meaning of s 2(1) of the European Communities Act 1972.

(6) The expression ‘infringing article’ does not include a design document,
notwithstanding that its making was or would have been an infringement of design right.

Ownership

The basic rule about ownership of unregistered design right is that it belongs to the designer. However, as in other areas of intellectual property law, this is subject to modification if the designer is employed (which will often be the case) or if the design is commissioned (which will probably cover most other cases).

Unregistered design right in a design made by an employee in the course of their employment belongs to the employer. If the design is made otherwise than in the course of the employee’s duties, the right belongs to the employee. If the design is made to a commission, the commissioner will own the rights (in contrast with the copyright position, where the commissioner can be left with nothing).

Section 214 defines the designer, an important concept for the rules about ownership.

(1) In this part the ‘designer’, in relation to a design, means the person who creates it.

(2) In the case of a computer-generated design the person by whom the arrangements necessary for the creation of the design are undertaken shall be taken to be the designer.

Section 215 deals with ownership of design right:

(1) The designer is the first owner of any design right in a design which is not created in pursuance of a commission or in the course of employment.

(2) Where a design is created in pursuance of a commission, the person commissioning the design is the first owner of any design right in it.

(3) Where, in a case not falling within subsection (2) a design is created by an employee in the course of his employment, his employer is the first owner of any design right in the design.

(4) If a design qualifies for design right protection by virtue of s 220 (qualification by reference to first marketing of articles made to the design), the above rules do not apply and the person by whom the articles in question are marketed is the first owner of the design right.

Duration

Protection begins (as we saw above) when the design is first recorded in a material form or when articles made to the design are first made available for sale. It will generally expire 10 years after the end of the year in which articles to the design are made available for sale or hire. To avoid perpetual protection
for unmarketed designs s 216(1)(a) provides for an overall period of 15 years from the end of the calendar year in which the design is first recorded.

(1) Design right expires:

(a) 15 years from the end of the calendar year in which the design was first recorded in a design document or an article was first made to the design, whichever first occurred; or

(b) if articles made to the design are made available for sale or hire within five years from the end of that calendar year, 10 years from the end of the calendar year in which that first occurred.

(2) The reference in subsection (1) to articles being made available for sale or hire is to their being made so available anywhere in the world by or with the licence of the design right owner.

However, this is not the end of the story. To prevent abuses of the rights given to design owners, the 1988 Act contains what amount to compulsory licensing provisions. They are in part a response to the Monopolies and Mergers Commission’s 1985 report on the Ford Motor Company, which had refused to licence replacement panel manufacturers to make parts for its vehicles: although this was considered to be an anti-competitive practice (within the meaning of the Competition Act 1980) and to operate against the public interest, the MMC found itself powerless to stop Ford. (Now, it would be likely that Ford would have no protection for the designs since they are not for ‘articles’: and, since the parts the independents wanted to make were ‘repair’ panels, which replaced only the rusty part of the vehicle’s wing or other panel, so avoiding the need for the owner to buy a complete panel which was all Ford would supply, the ECJ’s ruling in Magill appears also to be relevant.)

Licences of right in last five years

Licences are made available in two situations. First, s 237 provides that licences of unregistered design rights will be available in the last five years of the term of design right:

(1) Any person is entitled as of right to a licence to do in the last five years of the design right term anything which would otherwise infringe the design right.

(2) The terms of the licence shall, in default of agreement, be settled by the Comptroller.

(3) The Secretary of State may if it appears to him necessary in order to:

(a) comply with an international obligation of the UK; or

(b) secure or maintain reciprocal protection for British designs in other countries,

by order exclude from the operation of subsection (1) designs of a
description specified in the order or designs applied to articles of a description so specified.

(4) An order shall be made by statutory instrument; and no order shall be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.

Licences of right before last five years

Section 238 creates the possibility of licences being available before then. Similar provisions apply (by virtue of an amendment made by the 1988 Act) to registered designs too, which are not subject to automatic licensing of right. The powers given by s 238 (and s 20 of the 1949 Act, as amended) are said to be ‘exerciseable for protection of the public interest’.

(1) Where the matters specified in a report of the Monopolies and Mergers Commission as being those which in the Commission’s opinion operate, may be expected to operate or have operated against the public interest include:

(a) conditions in licences granted by a design right owner restricting the use of the design by the licensee or the right of the design right owner to grant other licences; or

(b) a refusal of a design right owner to grant licences on reasonable terms, the powers conferred by Part 1, Schedule 8 of the Fair Trading Act 1973 (powers exerciseable for purpose of remedying or preventing adverse effects specified in report of Commission) include power to cancel or modify those conditions and, instead or in addition, to provide that licences in respect of the design right shall be available as of right.

(2) The references in ss 56(2) and 73(2) of that Act, and ss 10(2)(b) and 12(5) of the Competition Act 1980, to the powers specified in that part of that schedule shall be construed accordingly.

(3) The terms of a licence available by virtue of this section shall, in default of agreement, be settled by the Comptroller.
THE PURPOSE AND FUNCTION OF TRADEMARKS

A trademark serves to distinguish the goods or services of one supplier from those supplied by others. It is a badge of origin, or a sign which indicates who made the goods or provided the services. Trademark law prevents one trader appropriating the reputation of another: it is therefore concerned with preventing unfair competition.

THE MODERN ROLE OF TRADEMARKS

Trademark law still stresses that marks are indications of origin, though for decades the actual source of goods has mattered less and less to consumers: for example, people continue to buy Smarties irrespective of Nestlé’s takeover of Rowntree Mackintosh.

The Trade Marks Act 1994 marks a significant move towards recognition that trademarks have a value as business assets in their own right. This is not, however, a novel approach: it was merely one that the government took a long time to adopt (and then only under external pressure, in the form of the EC First Council Directive on the laws of the Member States in relation to trademarks). The importance of trademarks to business, and the redundancy of the traditional model, was examined by Frank I Schechter in his seminal article, ‘The Rational Basis of Trademark Protection’ (1925) Harvard Law Review:

‘There is no part of the law which is more plastic than unfair competition, and what was not reckoned an actionable wrong 25 years ago may have become such today.’[1] ‘There is no fetish in the word “competition”. The invocation of equity rests more vitally upon the unfairness.’[2] ‘Many earlier dicta, probably some earlier decisions, are not now safe guides.’[3] These vigorous judicial

[1] Ely-Norris Safe Co v Mosler Safe Co, 7 F (2d) 603, 604 (CCA 2d, 1925), per Learned Hand J. See (1926) 26 Col L Rev 199; NYLJ, 28 September 1926, at 2068. The decision of the Circuit Court of Appeals was reversed, on a different construction of the pleadings, in 47 Sup Ct 314 (US 1927).


expressions of impatience with the old theories of trademark protection are indicative of a desire to keep abreast of and to serve the needs of modern business. They reflect a consciousness of the need for breadth and liberality in coping with the progressive ingenuity of commercial depravity. But forward strides in trademark protection are being attained by appeals to ‘good conscience’ and ‘judicial sensibilities’ rather than to strictly legal principles derived from a critical analysis of the real tort involved. Those ‘judicial sensibilities’, however, are themselves predicated upon certain historical preconceptions as to the nature and function of a trademark and as to the necessities for its protection. It is with the present validity and practical implications of these preconceptions that this paper is concerned.

1

The orthodox definition of ‘the primary and proper function of a trademark’ is that given by the Supreme Court of the US in the leading case of Hanover Star Milling Co v Metcalf 240 US 403, 412 (1916): ‘to identify the origin or ownership of the goods to which it is affixed.’ The ‘origin or ownership’ so designated by a trademark must be the personal origin or ownership. In order to test the adequacy of this definition, which has been used by the courts practically uniformly, with but the slightest variation of language and none of meaning, it will be necessary to consider very briefly the actual usages of trade as well as certain historical data, with which the present writer has dealt more thoroughly elsewhere.

The modern trademark has two historical roots: (1) the proprietary mark, which was optionally but usually affixed to goods by the owner, either for the benefit of illiterate clerks or in order that in case of shipwreck or piracy the goods might be identified and reclaimed by the owner. This mark was essentially a merchant’s rather than a craftsman’s mark and had nothing to do with the source of production of the goods in question. (2) The regulatory production mark, which was compulsorily affixed to goods by statute, administrative order or municipal or guild regulation, so that defective work might be traced to the guilty craftsman and heavily punished, or that ‘foreign’ goods smuggled into an area over which a guild had a monopoly might be discovered and confiscated. This mark was a true mark of origin, designating as it did the actual producer of the goods.

Four hundred years ago a trademark indicated either the origin or ownership of the goods to which it was affixed. To what extent does the trademark of today really function as either? Actually, not in the least! It has been repeatedly pointed out by the very courts that insist on defining trademarks in terms of ownership or origin that, owing to the ramifications of modern trade and the national and international distribution of goods from the manufacturer through the jobber or importer and the retailer to the consumer, the source or

origin of the goods bearing a well-known trademark is seldom known to the consumer.[7] Over 20 years ago it was pointed out by the Circuit Court of Appeals for the Seventh Circuit that ‘we may safely take it for granted that not one in a thousand knowing of or desiring to purchase “Baker’s Cocoa” or “Baker’s Chocolate” know of Walter Baker & Co Limited.’[8] The same fact has been noted concerning ‘Coca-Cola’[9] and ‘Yorkshire Relish’.[10] With regard to the latter mark, Lord Justice Lindley said:

Persons may be misled and may mistake one class of goods for another, although they do not know the names of the makers of either. A person whose name is not known, but whose mark is imitated, is just as much injured in his trade as if his name was known as, well as his mark. His mark, as used by him, has given a reputation to his goods. His trade depends greatly on such reputation. His mark sells his goods.[11]

A trademark may be affixed to goods by a manufacturer thousands of miles away from the consumer, or by an importer or jobber who has not manufactured but merely selected the goods and put them on the local market,[12] or by a commission merchant who has not even selected the goods or rendered any service relating to them except to sell such as may have been sent to him by the owner.[13] Moreover, during and since the Great War the mark of an alien enemy might be used by a purchaser from the Alien Property Custodian entirely without the consent, much less the co-operation, of the


An experiment tried some years ago on employees of Cheney Bros showed (1) that 66.6% of the employees tested, identified certain products by well known trademarks; but (2) that only 28.4% knew who made the products bearing these trademarks; and (3) that 37.7% knew what the trademarks of the firms in question actually were. While this represents the result of but a single experiment in a single place, there can be no doubt that it accords with common experience and that it illustrates the archaism involved in defining trademarks in terms of ownership or origin. See Adams, ‘Advertising and its Mental Laws’ (1922) 175–79.


[10] In Birmingham Vinegar Brewery Co Ltd v Powell, [1897] AC 710, 715, it was said, per Lord Herschell: ‘In the present case it seems to me that “Yorkshire Relish” meant the manufacture of a particular person. I do not mean that in the minds of the public the name of the manufacturer was identified, but that it meant a particular manufacture, and that when a person sold “Yorkshire Relish”, as the defendants did, by selling it as “Yorkshire Relish” and calling it “Yorkshire Relish”, they represented to the public that it was that manufacture which was known as and by the name of “Yorkshire Relish”.’


[12] See A Bourjois & Co v Katzal, 260 US 689, 692 (1923); Hughes v Alfred H Smith Co, 205 Fed 302, 311 (SDNY 1913); Nelson v Winchell & Co, 203 Mass 75, 82, 89 NE 180, 183 (1909); Imperial Tobacco Co of India Ltd v Borman, 41 Rep Pat Cas 441, 446 (1924). ‘In India, for obvious reasons, cases of “importers” of trademarks are more numerous than those of producers or manufacturers.’ Sen, ‘The Law of Monopolies in British India’ (1922) 304; Ralli v Fleming, 3 Ind L R (Calcutta series) 417, 428 (1878).

original owner of the trademark,[14] and even though the mark may have been acquired through fraud or conspiracy of the purchaser and the Alien Property Custodian.[15]

Discarding then the idea that a trademark or trade name informs the consumer as to the actual source or origin of goods, what does it indicate and with what result? It indicates, not that the article in question comes from a definite or particular source, the characteristics of which or the personalities connected with which are specifically known to the consumer, but merely that the goods in connection with which it is used emanate from the same – possibly anonymous – source or have reached the consumer through the same channels as certain other goods that have already given the consumer satisfaction, and that bore the same trademark. A few years ago, Judge Learned Hand wrote with regard to ‘Shredded Wheat Biscuit’:

The plaintiff has at least shown that the public has become accustomed to regard its familiar wheat biscuit as emanating, if not from it by name, at least from a single, though anonymous, maker, and the second is as good for these purposes as the first ... Though the public may, therefore, buy the biscuit because it has come to like it, the plaintiff still has a stake in that other motive for buying; ie that it comes from the accustomed maker.[16]

Superficially it may appear to be very fine hair-splitting to say that while the consumer does not know the specific source of a trademarked article, he nevertheless knows that two articles, bearing the same mark, emanate from a single source. However, the precise distinction is vital in the present connection, for it brings out clearly the creative and not merely symbolic nature of the modern trademark or trade name. The force of that distinction was strikingly illustrated in a very recent English case involving the application of one McDowell to register the trademark ‘Nuvol’, which was opposed by the Standard Oil Company, owners of the well known trademark ‘Nujol’ on medicinal oil.[17] It was the contention of the applicant that since the Standard Oil Company did not sell ‘Nujol’ to the English public in their own name but through The Anglo-American Company, their agents there, the British public did not know the actual source of ‘Nujol’. Sir Duncan Kerly argued for the opponent that the fact that ‘Nujol’ emanated from the Standard Oil Company was immaterial and that persons seeing ‘Nuvol’ would assume

[14] 40 Stat 411 (1917), US Comp Stat (Supp 1919) §§ 3115 et seq; Hicks v Anchor Packing Co, 16 F (2d) 723, 727 (CCA 3d, 1926); Koppel Ind Car & Equip Co v Orenstein & Koppel, 12 F (2d) 1009 (SDNY 1926); Hunyadi Janos Corp v Stoeger, 10 F (2d) 26 (CCA 2d, 1926); American Bosch Magneto Corp v Robert Bosch Magneto Co, 127 Misc 119, 215 NY Supp 387 (1926); In the Matter of Robert Bosch Aktiengesellschaft’s Application, 43 Rep Pat Cas 18 (1925).

[15] United States v Chemical Foundation, 47 Sup Ct 1, 5 (US 1926); Munich Reinsurance Co v First Reinsurance Co, 6 F (2d) 742, 749 (CCA 2d, 1925); American Bosch Magneto Corp v Robert Bosch Magneto Co, above n [14], at 123 et seq, 215 NY Supp at 392 et seq.

[16] Shredded Wheat Co v Humphrey Cornell Co, 250 Fed 960, 963 (CCA 2d, 1918). See also Saalfeld Pub Co v Merriam Co, 238 Fed 1, 8–9 (CCA 6th, 1917); Bayer Co v United Drug Co, 272 Fed 505, 509 (SDNY 1921); Deering Harvester Co v Whitman & Barnes Mfg Co, 91 Fed 376, 380 (CCA 6th, 1898); Hilton v Hilton, 89 NJ Eq 149, 155,102 Atl 16, 18 (1917); Chafee, ‘Cases on Equitable Relief Against Torts’ (1924) 120, n 1.

[17] In the Matter of McDowell’s Application, 43 Rep Pat Cas 313 (1926). See comment in (1926) 21 T M Bull (NS) 295.
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that it came from the same source as ‘Nujol’, whatever the source of ‘Nujol’
might be. Sir Duncan’s argument was pronounced as ‘very curious’ and
untenable by the lower court,[18] but on appeal it was said by Lord Justice
Warrington:

... The deception which I think the registration would be calculated to
produce is that the two products emanate from the same source, and for the
purposes of the present question it does not, in my opinion, matter
whether the public do, or do not, know what that source is.[19]

The true functions of the trademark are, then, to identify a product as
satisfactory and thereby to stimulate further purchases by the consuming
public. The fact that through his trademark the manufacturer or importer may
‘reach over the shoulder of the retailer’ and across the latter’s counter straight
to the consumer[20] cannot be overemphasised, for therein lies the key to any
effective scheme of trademark protection. To describe a trademark merely as a
symbol of goodwill, without recognising in it an agency for the actual creation
and perpetuation of goodwill, ignores the most potent aspect of the nature of a
trademark and that phase most in need of protection. To say that a trademark
‘is merely the visible manifestation of the more important business goodwill,
which is the “property” to be protected against invasion’((1925) 35 Yale LJ
115,116) or that ‘the goodwill is the substance, the trademark merely the
shadow’,[21] does not accurately state the function of a trademark today and
obscures the problem of its adequate protection. The signboard of an inn in
stagecoach days, when the golden lion or the green cockatoo actually
symbolised to the hungry and weary traveller a definite smiling host, a tasty
meal from a particular cook, a favourite brew and a comfortable bed, was

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[18] In the Matter of McDowell’s Application, above n [17], at 327.
[19] Ibid at 337. Lord Justice Sargant likewise stated (at p 339): ‘The public will be equally
deceived for all practical purposes, if they merely identify or confuse the producers of
“Nuvol” with the producers of “Nujol”, whether they know the actual name of the
producers of “Nujol” or not.’
[20] The establishment of this connecting link has recently been referred to by Mr H G Wells in
The World of William Clissold (Vol 1, p 237): ‘In the days of our youth an enormous number
of things were sold anonymously that are now sold under the brands of makers and
packers. Our father had been one of the pioneers in this Christening of goods with his
Partington’s Packet Teas. When I was a child every grocer had his own sorts of tea, his tea-
cheats with different qualities, and he weighed the tea out and packed it up for each
customer. I can remember seeing that done. Almost everything he sold them – bacon,
butter, lard, pickles, jams, biscuits – he sold from stocks of his own buying and his own
individual reputation. He had pickled onions and cabbage in a great tub, as they still have
them here in France. He used to display sugar-loaves in his window and chop them up in
his shop; I would gaze fascinated at the sugar clipping in the Duxford’s grocers. And the
oilman sold his own lamp oil, and no one asked where he got it. Mustard used to be
bought for Mowbray at the chemist’s. But even in our childhood there was already a
number of vigorous firms reaching their hands over the retail tradesman’s shoulder, so to
speak, and offering their goods in their own name to the customer.’ See also Goodall,
‘Advertising: A Study of a Modern Business Power’ (London School of Economics
Monographs, No 41, 1914) 47.
also, by the same author, ‘Predatory Price Cutting as Unfair Trade’ (1913) 27 Harv L Rev
139, 144; Glenn, ‘Pre-emption in Connection with Unfair Trade’ (1919) 19 Col L Rev 29, 32;
(1919) 7 Calif L Rev 201, 202.
merely ‘the visible manifestation’ of the goodwill or probability of custom of the house; but today the trademark is not merely the symbol of goodwill but often the most effective agent for the creation of goodwill, imprinting upon the public mind an anonymous and impersonal guarantee of satisfaction, creating a desire for further satisfactions. The mark actually sells the goods. And, self-evidently, the more distinctive the mark, the more effective is its selling power.

2

The protection of trademarks originated as a police measure to prevent ‘the grievous deceit of the people’ by the sale of defective goods, and to safeguard the collective goodwill and monopoly of the guild.\[22\] The repression of trademark infringement came into the common law through an action of deceit\[23\] and, although it is the public rather than the owner of the trademark who is actually deceived, the common law trademark action is still deceit.\[24\] Equity, on the other hand, acting ‘in aid of’ and ‘ancillary to’ what it deemed to be a ‘legal right’ to have a particular trademark,\[25\] at first assumed jurisdiction in such cases to protect the plaintiff’s ‘title’ to trademarks, regardless of the question of deceit.\[26\] Then in the great case of Millington v Fox, Lord Chancellor Cottenham stated: ‘Having previously come to the conclusion that there was sufficient in the case to show that the plaintiffs had a title to the marks in question; they undoubtedly had a right to the assistance of a court of equity to enforce that title.’ at 352.

However, subsequent decisions of the equity side indicated a shifting from the proprietary aspect of trademark protection to practically the same basis as that of the common law – as is indicated in the oft-quoted dictum of Lord Langdale, uttered in 1842: ‘I think that the principle on which both the courts of law and of equity proceed is very well understood. A man is not to sell his own goods under the pretence that they are the goods of another man ... ’\[27\] Equity did not continue the unqualified protection of trademarks in aid of a definite legal right of property but acted under the doctrine of ‘passing off’ in England,\[28\] or of unfair competition in the US, which was in itself but ‘a development of the law of fraud. Its aim was simply to prevent the deceitful sale or passing off of goods made by one

\[22\] Schechter, op cit above n [5], cc 3–5.
\[23\] See Chafee, ‘Does Equity Follow the Law of Torts?’ (1926) 75 U of Pa L Rev 1, 25; Schechter, op cit above n [5], at 6 et seq.
\[24\] See cases cited in ibid 10, 143.
\[26\] Millington v Fox, 3 Myl & C 338 (1838).
\[27\] Perry v Truefitt, 6 Beav 66, 73 (1842), cited or quoted in, eg Leather Cloth Co v American Leather Cloth Co, 11 HL Cas 523, 538 (1865); Reddaway v Banham [1896] AC 199, 209; Havana Cigar & Tobacco Factories Ltd v Oddenino, above n [3], at 55. Cf McLean v Fleming, above n [7], at 255; Hanover Star Milling Co v Metcalf, at 413–14.
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person or firm for goods made by another. Contemporary professional testimony makes this point quite clear. The diversion of custom is the gravamen of the action in either ‘passing off’ or ‘unfair competition’. The Supreme Court has held: The essence of the wrong consists in the sale of the goods of one manufacturer or vendor for those of another. This essential element is the same in trademark cases as in cases of unfair competition unaccompanied with trademark infringement.

Recent decisions both in this country and in England have extended the doctrine of ‘unfair competition’ beyond cases where there is an actual ‘diversion of custom’. But the process has been one of making exceptions rather than of frank recognition of the true basis of trademark protection. No necessity or justification for the protection of marks on non-competing goods is seen except (1) where, while there is no actual diversion of trade, there is a likelihood of confusion as to the source of the infringing goods and (2) where the use of the infringing mark or name may work some discredit and financial liability or other similar concrete injury on the plaintiff. Thus, a recent writer


[30] In 1862 Parliament for the first time gave broad and general consideration to the subject of trademark protection through a committee appointed to examine and report upon various proposed trademark legislation. It is quite evident from the testimony before the committee that at that time the repression of common law frauds and cheats rather than the protection of industrial property was paramount in the mind of the legal profession and of the courts. Mr William Hindmarch, an attorney of great experience in matters of trademark law, who, at the request of the Attorney General, had drafted one of the trademark statutes submitted to the committee, summarised ‘the existing law ... relating to trademarks’ as follows: ‘I apprehend that the law at present in existence is a law to prevent cheats generally, and not merely to prevent the using or the pirating of trademarks, which is an improper term, except in Hallamshire. The object of the common law is to prevent cheats, whether by the use of fraudulent marks, the forging of names, the using of wrappers of similar colour, or using perhaps a combination of contrivances by which one man represents his goods to be the goods of another; that is the sort of thing which it is the object of the law to put down. Sometimes when taking proceedings people have urged that they had acquired a right by user to some particular phrase, or expression, or name, or colour; but the courts have always said, more particularly the Court of Chancery, that they had no such right, and all that they had a right to was this, that no other man should by fraud represent his goods to be those of another ... ’ Report from the Select Committee on Trademarks Bill in Reports of Committees, 1862, 12 Session Papers, Q Nos 2611, 2727, 2749, 2752, 2757.

[31] Society of Motor Manufacturers, etc, Ltd v Motor Manufacturers, etc, Ins Co Ltd, 42 Rep Pat Cas 307, 319 (1925); Harrods Ltd v R Harrod Ltd, 41 Rep Pat Cas 74, 75, 82 (1923).

[32] American Steel Foundries v Robertson, 269 US 372, 380 (1926); Prestounces, Inc v Coty, 264 US 359, 368 (1924); Hanover Star Milling Co v Metcalf, at 413–14; United Drug Co v Rchius Co, 248 US 90, 97 (1918); Libby, McNeill & Libby v Libby, 241 Mass 139, 244, 153 NE, 120, 122 (1922); White Studio v Dreyfoos, 221 NY 46, 48, 16 NE 796 (1917).

[33] Hanover Star Milling Co v Metcalf, at 412–13; and cases above n [32].

[34] Aunt Jemima Mills v Rigney & Co, 247 Fed 407 (CCA 2d, 1917), certiorari denied, 245 US 672 (1918); Vogue Co v Thompson-Hudson Co, 300 Fed 509 (CCA 6th, 1924); Beech-Nut Packing Co v P Lorillard Co, 7 F (2d) 967 (CCA 3d, 1925), certiorari granted, 269 US 55(1926); Wall v Rolls-Royce of America, 4 F (2d) 333 (CCA 3d, 1925); Eastman Kodak Co v Kodak Cycle Co, 15 Rep Pat Cas 105 (1898); Walter v Ashton, [1902] 2 Ch 282; Society of Motor Manufacturers etc Ltd v Motor Manufacturers etc Ins Co Ltd, above n [31], commented on in (1926) 2 Camb L J 306; Harrods Ltd v R Harrod Ltd, above n [31].

states: ‘Where there are no circumstances that would cause the public to think the products bearing the same name were made by the same party, no wrong is done. The classic example given in *Ainsworth v Walmsley*: “If he does not carry on a trade in iron, but carries on a trade in linen and stamps a lion on his linen, another person may stamp a lion on iron,”[36] is still the law.’[37] This conclusion that ‘no wrong is done’ is based upon an archaic notion of the function of a trademark as solely indicating ‘source or origin’. It assumes that ‘the elementary equitable principle upon which the whole law of this subject is based ... is that one may not palm off his goods as the goods of another’[38] and that the sole injury resulting from the use of the same ‘lion’ mark on linen and iron might be a confusion as to the source of these two dissimilar products. It ignores the fact that the creation and retention of custom, rather than the designation of source, is the primary purpose of the trademark today, and that the preservation of the uniqueness or individuality of the trademark is of paramount importance to its owner.

The doctrine that the same trademark may be used on different classes of goods, recently restated by the Supreme Court,[39] is said to be related to the cardinal principle that ‘there is no property in a trademark apart from the business or trade in connection with which it is employed’. But why does a limitation of the protection of trademarks to goods of the same class logically and necessarily follow from the rule that there is no property in a trademark in gross? The latter rule is based upon a consideration of public policy, namely, that a man should not develop a trademark as a guarantee of the quality of his merchandise and then sell or ‘farm out’ the use of that mark apart from his business to those who may sell a vastly inferior product under his mark.[40] This salutary principle, which has its roots, not in the common law, but in earlier guild jurisprudence, was already enforced for precisely that reason over 300 years ago by the cutlers of London, who, in 1624, ordained that: ‘No man from hensforth shall have a proper marcke unlesse he be a forger and be able of him self to fforge & temper his stuf as a worckman sholde do.’[41]

However, this rule that a trademark must be appurtenant to a going concern should not in any way set limits to the extent of protection of such a mark.

[36] LR 1 Eq 518, 524–25 (1866), evidently adopting a similar statement in *Hall v Barrows*, 4 De GJ & S 150, 158 (1863).
[38] Ibid at 205.
[39] *American Steel Foundries v Robertson*, above n 35. That case arose on a question of construction of the Trademark Act (see (1926) 2i T M Bull (NS) 37), but the decision is squarely based upon general considerations of the law of trademarks and of unfair competition, and treats trademarks and trade names upon the same basis. Cf *Ball v Broadway Bazaar*, 194 NY, 429, 435, 87 NE 674, 676 (1909).
[40] See (1926) 35 Yale LJ 496.
[41] Welch, *History of the Cutlers of London* (1923) 344. See Schechter, *op cit* above n 6, at 3. The elaborate system of property in and registration of marks, particularly in the cutlery trade, and to a lesser degree in the pewter and cloth industries, worked out by ‘guild jurisprudence’ and administrative law in the 16th and 17th centuries, at least 300 years before the common law and equity at all considered the notion of property in trade symbols, is described in *ibid* cc 3–5.
when so appurtenant. Quite apart from the destruction of the uniqueness of a mark by its use on other goods, which will be discussed later on, once a mark has come to indicate to the public a constant and uniform source of satisfaction, its owner should be allowed the broadest scope possible for ‘the natural expansion of his trade’ to other lines or fields of enterprise. This point was demonstrated with particular acuteness after the Great War in the case of such firms as The Remington Arms Company, The Winchester Repeating Arms Company and the Dupont Company, which were under the immediate necessity of transferring their activities from the manufacture of war material to peace industries of an entirely different nature but under the same trademarks and names.\[42\] Under the ‘source or origin’ theory of a function of a trademark, and the vague doctrine of ‘related goods’, courts are still giving a most literal and rigid construction to the phrases ‘of the same class’ or ‘of the same descriptive qualities’. Thus bread and flour,\[43\] pancake flour and syrup\[44\] are in the same class, while, on the other hand, ‘straight’ wheat flour and ‘prepared’ flours such as ‘pancake flour’\[45\] are declared not to be of the same ‘class of commodities’. Chewing gum, held to be a ‘food’, and chewing tobacco, held to be a ‘narcotic’,\[46\] ice cream and milk,\[47\] cheese and butter\[48\] are likewise found not of different classes. An equally apparent failure of the courts to keep pace with the necessities of trade and the functional development of trademarks, and a corollary to the principle that ‘if there is no competition, there can be no unfair competition’,\[49\] is the rule that a trademark or trade name is only co-extensive with its use and may be used by different firms in different localities. To hold that Boston and Providence markets do not extend to Worcester, New Haven and Woonsocket,\[50\] that a nationally known chain of theatres, with a branch in Boston, did not extend its market, or rather its audience, to Lynn, Lawrence, Portland or Fitchburg,\[51\] or that plaintiff’s stores in Northern New Jersey could not enjoin the use of plaintiff’s tradename in Southern New Jersey at points 20–30 miles away,\[52\] ignores the necessities of

\[42\] Hearings before the Committee on Patents on HR 7157, 66th Cong 2d Sess, at 4–5, 11–12.


\[44\] H H Macy Co, Inc v Manbeck Packing Co, 35, OG Pat Off 441 (1926).

\[45\] Aunt Jemima Mills v Rigney & Co, above n [34].

\[46\] France Milling Co v Washburn-Crosby Co, 7 F 2d 304, 305 (CCA 2d, 1925), commented on in (1925) 34 Yale LJ 115.

\[47\] Beech-Nut Packing Co v P Lorillard Co, above n [34], commented on in (1926) 12 Va L Rev 337.

\[48\] Borden Ice Cream Co v Borden’s Condensed Milk Co, 201 Fed 510 (CCA 7th, 1012).


\[50\] Carroll v Duluth Superior Milling Co, 232 Fed 675, 681–82 (CCA 8th, 1916); Nat Picture Theatres v Foundation Film Corp, 266 Fed 208, 211 (CCA 2d, 1920); Samson Cordage Works v Portland Cordage Mills, 211 Fed 603, 608 (CCA 6th, 1014); Borden Ice Cream Co v Borden’s Condensed Milk Co, above n 50, at 514; Nat Grocery Co v Nat Stores Corp, 95 NJ Eq 588, 593, 123 Atl 740, 742 (1024); Crump Co v Lindsay, 130 Va 144, 156, 107 SE 679, 682 (1921).

\[51\] Kaufman v Kaufman, 223 Mass 104, 3 NE 691 (1916).

\[52\] Lowe’s Boston Theatres Co v Lowe, 248 Mass 456, 143 NE 496 (1924).

\[52\] Nat Grocery Co v Nat Stores Co, above n 52, aff’d, 97 NJ Eq 360, 127 All 925 (1925).
the chain type of organisation with which the US has been covered in recent years.\footnote{53} Furthermore, such decisions, based upon an antiquated neighbourhood theory of trade, fail to recognise the fact that through the existence of the telephone, the automobile, the motor bus, the high-speed interurban trolley, and the railroad, the consumer now projects his shopping far from home and comes to rely more and more upon trademarks and trade names as symbols of quality and guarantees of satisfaction.

3

We have seen that the proper expansion of trademark law has been hampered by obsolete conceptions both as to the function of a trademark and as to the need for its protection. Commencing with the assumption that a trademark designates either origin or ownership – in other words, source – the law, even in its most liberal interpretation at the present time, will prevent the misuse of that mark only where there is an actual confusion created by such misuse, resulting in either diversion of trade or other concrete financial liability or injury to trade repute. However, we have intimated the possibility that the use of trademarks on entirely non-related goods may of itself concretely injure the owner of the mark even in the absence of those elements of damage noted above. If so, what is the injury, and to what extent, if any, should the law take cognisance of such injury?

Trademark pirates are growing more subtle and refined. They proceed circumspectly, by suggestion and approximation, rather than by direct and exact duplication of their victims’ wares and marks. The history of important trademark litigation within recent years shows that the use of similar marks on non-competing goods is perhaps the normal rather than the exceptional case of infringement. In the famous English \textit{Kodak} case, cameras and bicycles were the articles in question; in the \textit{Aunt Jemima’s} case, pancake flour and syrup; in the \textit{Vogue} case, fashion magazines and hats; in the \textit{Rolls-Royce} case, automobiles and radio parts; in the \textit{Beech-Nut} case, food products and cigarettes.\footnote{54} In each instance the defendant was not actually diverting custom from the plaintiff, and where the courts conceded the absence of diversion of custom they were obliged to resort to an exceedingly laborious spelling out of other injury to the plaintiff in order to support their decrees. The real injury in all such cases can only be gauged in the light of what has been said concerning the function of a trademark. It is the gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use upon non-competing goods. The more distinctive or unique the mark, the deeper is its impress upon the public consciousness, and the greater its need for protection against vitiation or dissociation from the particular product in connection with which it has been used. At the present time the courts, misconstruing, as we have pointed out above, the rule that a trademark can only be used as appurtenant to a going business, are unwilling to base their protection of

\footnote{53} See (1925) 38 Harv L Rev 839; (1025) 3 Tex L Rev 300; (1926) 4 ibid. 541; \textit{Sweet Sixteen Co v Sweet ‘16’ Shop, Inc}, 15 F (2d) 920 (CCA 8th, 1926).

\footnote{54} These cases are cited above n [34].
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Trademarks squarely upon this principle that ‘the value of the plaintiff’s symbol depended in large part upon its uniqueness’[55]

On the other hand it is possible that as in so many other phases of legal history the courts may arrive at this result by indirect, ie, by the distinction which, beginning with the ‘Blue Ribbon’ trademark,[56] is gradually but surely being drawn between common or semi-descriptive marks or names on the one hand, and arbitrary or fanciful trademarks or trade names on the other. Concerning commonplace marks, the Supreme Court of the US has recently held that the refusal of the Commissioner of Patents to allow the registration of the mark ‘Simplex’ for brake heads, brake beams, brake shoes, etc on the ground that the same mark had been registered on insulating wire, was erroneous. The court pointed out that the word ‘Simplex’ has comprised the whole or a part of trademarks registered in the Patent Office in approximately 60 registrations by nearly as many different parties and applied to so diversified a variety of products as windows, wire, concrete piling, golf practice machines, letter openers, air brakes, ink and buttons.[57] The same thought has been forcefully expressed by circuit judge Hough concerning the phrase ‘Gold Medal’:

The phrase ‘Gold Medal’ is distinctly not in the same class of original, arbitrary, or fanciful words as ‘Kodak’ and ‘Aunt Jemima’. It is a laudatory phrase, suggestive of merit, recognised by some organisation of authority awarding a prize. It is only allied to some particular business or person by insistent, persistent advertising ... there is nothing original about the name per se; it is exactly like the phrase ‘Blue Ribbon’, and has been as extensively and variously applied. One who devises a new, strange, ‘catching’ word to describe his wares may and often has by timely suit prevented others from taking his word or ‘set of words’ to gild the repute of even wholly different goods ... but one who takes a phrase like ‘Blue Ribbon’ or ‘Gold Medal’ must be content with that special field which he labels with so undistinctive a name.[58]

[55] (1925) 25 Col L Rev 199, 204. In Three-In-One Oil Co v Lobl Mfg Co & Boston Brass Co, 15 MD 243, 248, 16 TM Rep 411, 413 (1926), Moore AC squarely rejected this reasoning, stating: ‘The contention that the use of the mark by another, “even for another class of goods”, would be calculated to rob the mark of its distinctive character and quality and cause the mark to become commonplace, could be made in every case in which the same mark is registered by different parties upon goods having different descriptive properties, and if sustained would result in but a single registration for each mark. This is not the law.’ Cf Hearings before the Committee on Patents, above n [42], at 15.


[58] France Milling Co v Washburn-Crosby Co, above n [45], at 306. See also Pease v Scott County Milling Co, 5 F (2d) 524, 525 (E D Mo 1925). ‘The ruled cases disclose two lines of decision: A narrow rule of protection in a case wherein the trademark in dispute has been, as here [ie, Noxall], registered under the statute for some 30 times as a trademark, for as many different products, and has also been used as a common law trademark as to some 20 other products ... and a broad line of protection, where the common law trademark or trade name, or statutory trademark, is original or distinctive ...’
In contrast with the narrow protection given to semi-descriptive or laudatory marks, such as ‘Simplex’, ‘Blue Ribbon’ and ‘Gold Medal’ is the still more recent protection of the coined mark ‘Duro’ on pneumatic pressure systems against registration on wall board. The court, admitting the two products to be ‘technically different’, paid its formal allegiance to the old rule of related goods by pointing out that ‘both are used in residences’. But the court went further, and in its decision we find the first intimation that the possibility of vitiation of identity of a mark should in itself constitute the basis of relief:

In the present case, when the California Cedar Products Company adopted the word ‘Duro’ as its trademark, that word had ‘become so identified’ with the particular corporation (the Duro Company) that, whenever used, it designated to the mind ‘that particular corporation’. While the descriptive properties of the products of the two companies are technically different, both are used in residences, and under the evidence, we are constrained to the view that their concurrent use would tend to confusion of the identity of the Duro Company. If the California Cedar Products Company were permitted to use this mark, which has come to represent the Duro Company and its product to the public, other companies likewise might use it, with resultant loss of identity of the Duro Company.

The rule that arbitrary, coined or fanciful marks or names should be given a much broader degree of protection than symbols, words or phrases in common use would appear to be entirely sound. Such trademarks or trade names as ‘Blue Ribbon’, used, with or without registration, for all kinds of commodities or services, more than 60 times; ‘Simplex’ more than 60 times; ‘Star’, as far back as 1898, nearly 400 times; ‘Anchor’, already registered over 150 times in 1898; ‘Bull Dog’, over 100 times by 1923; ‘Gold Medal’, 65 times; ‘3-in-1’ and ‘2-in-1’ 79 times; ‘Nox-all’, 50 times; ‘Universal’, over 30 times; ‘Lily

[59] Duro Pump & Mfg Co v Cal Cedar Products Co, 2 F (2d) 205 (Ct of App DC 1926), per Robb J.
[60] Ibid at 206 (italics ours). Cf Yale Elec Corp v Yale & Towne Mfg Co, 12 F (2d) 183, 184 (Ct of App DC 1026), citing the Duro decision and holding that registration of ‘Yale’ on locks and keys precluded another’s registration of ‘Yale’ on batteries and flashlights, since both ‘are in part sold in the same trade’.
[61] Pabst Brewing Co v Decatur Brewing Co, above n [56].
[62] American Steel Foundries v Robertson, above n [32].
[64] Ibid at 111.
[65] Joint Hearings before the Committee on Patents on S 2679, 68th Cong, 2d Sess, at 145.
[66] France Milling Co v Washburn-Crosby Co, above n 48. In England it has been held that ‘Prize Medal Oils’ did not represent ‘any one person’s goods’, since 30 different persons had been awarded prize medals in various oils. Batty v Hill, I H & M 264, 270 (1863).
[67] Three-In-One Oil Co v Lobl Mfg Co & Boston Brass Co, above n 58. See list of registrations in supplemental decision in Three-In-One Oil Co v Boston Brass Co, Corn Dec, 12 July 1926.
[68] Pease v Scott County Milling Co, above n [58].
[69] See (1926) 21 T M Bull (NS) 164.
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White’ over 20 times,[70] – all these marks and names have, at this late date, very little distinctiveness in the public mind, and in most cases suggest merit, prominence or other qualities of goods or services in general, rather than the fact that the product or service, in connection with which the mark or name is used, emanates from a particular source. On the other hand, ‘Rolls-Royce’,[71] ‘Aunt Jemima’s’,[72] ‘Kodak’,[73] ‘Mazda’,[74] ‘Corona’,[75] ‘Nujol’,[76] and ‘Blue Goose’,[77] are coined, arbitrary or fanciful words or phrases that have been added to rather than withdrawn from the human vocabulary by their owners, and have, from the very beginning, been associated in the public mind with a particular product, not with a variety of products, and have created in the public consciousness an impression or symbol of the excellence of the particular product in question. Should the rule, still broadly enunciated by the Supreme Court, that a trademark may be used on different classes of goods,[78] be literally adhered to, there is not a single one of these fanciful marks which will not, if used on different classes of goods, or to advertise different services, gradually but surely lose its effectiveness and unique distinctiveness in the same way as have ‘Star’, ‘Blue Ribbon’, or ‘Gold Medal’. If ‘Kodak’ may be used for bath tubs and cakes, ‘Mazda’ for cameras and shoes, or ‘Ritz-Carlton’ for coffee,[79] these marks must inevitably be lost in the commonplace words of


[71] Wall v Rolls-Royce of America, above n [34].

[72] Aunt Jemima Mills v Rigney & Co, above n [34].

[73] Eastman Kodak Co v Kodak Cycle Co, above n [34]; In the Matter of Trademarks of Kodak Ltd, 20 Rep Pat Cas 337, 349 (1903); Kodak Ltd v Thomas Illingworth & Co Ltd, 43 Rep Pat Cas 33 (1926). But see Eastman Kodak Co v Kodel Mfg Co, 349 OG Pat Off 717 (1926). For other English and continental ‘Kodak’ decisions, see (1923) 18 T M Bull (NS) 267; (1924) 19 ibid 105.


[75] Havana Cigar & Tobacco Factories Ltd v Oddenino, 41 Rep Pat Cas 47 (1923).

[76] In the Matter of McDowell’s Application, above n [17], at 333. Compare a Chilean decision to the same effect in (1925) 20 T M Bull (NS) 325.

[77] American Fruit Growers Inc v John Bradland Ltd, 1, Al D 239, 16 TM Rep 409 (1926). In that decision, Kinnan A C held that: ‘A broader protection will be granted where a purely fanciful mark has been adopted, used and given wide publicity than where some words in ordinary use are adopted in a phrase which is commonplace and somewhat suggestive’.

[78] American Steel Foundries v Robertson, above n [32].

the language, despite the originality and ingenuity in their contrivance, and the vast expenditures in advertising them which the courts concede should be protected to the same extent as plant and machinery.\(^{[80]}\) Or, to illustrate from the animal kingdom, and to return to ‘the classical example’ of the ‘lion’ on linen and iron, the lion being a timeworn and commonplace symbol of regal or superb quality, it has not become associated in the public mind with the excellence of any single product, hence its use on various products, such as linen and iron, in no way impairs its individuality. On the other hand, a firm of fruit growers has recently popularised as its mark another animal of no well-known or commonplace characteristics, the ‘blue goose’. When the public hears or sees the phrase ‘Blue Goose’ it thinks, not of ‘a North American wild goose having a greyish plumage resembling that of the young snow goose found chiefly during its migrations in the Mississippi Valley’, but of oranges or grapefruit with a certain trademark and certain meritorious qualities.\(^{[81]}\) This entirely arbitrary symbol would soon lose its arresting uniqueness and hence its selling power if it could also be used on pianos, shaving cream, and fountain pens.

From the necessities of modern trademark protection mentioned above, on the one hand, and from the decisions emphasising the greater degree of protection to be given to coined, rather than to commonplace marks, the following principles necessarily emerge: (1) that the value of the modern trademark lies in its selling power; (2) that this selling power depends for its psychological hold upon the public, not merely upon the merit of the goods upon which it is used, but equally upon its own uniqueness and singularity; (3) that such uniqueness or singularity is vitiated or impaired by its use upon either related or non-related goods; and (4) that the degree of its protection depends in turn upon the extent to which, through the efforts or ingenuity of its owner, it is actually unique and different from other marks.

Our conclusion that the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection is fortified by the doctrine that has developed within recent years in German law on this same point. In 1905 it was held by the Supreme Court at Hamburg that the owners of the ‘Kodak’ mark for cameras were not entitled to cancel the registration of the same mark for bath tubs, the reasoning of the court being the same that would normally have been given by our own courts under similar circumstances, \textit{viz}, that bath tubs would not be believed by the public to have come from the Kodak Company (1924) 19 TM Bull (NS) 105. The application for cancellation was brought under s 826 of the German Civil Code which provides that: ‘one who designedly injures another in a manner violating good morals [\textit{gegen die...}}
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guten Sitten] is bound to indemnify the other for the injury’. However, in 1924 practically the same question was submitted to another German court (the Landesgericht at Elberfeld) by the owners of the well-known trademark ‘Odol’ for mouthwash, who sought to obtain the cancellation of the registration of that same mark for various steel products. The court held that the use of the mark ‘Odol’ even on non-competing goods was ‘gegen die guten Sitten’, pointing out that, when the public hears or reads the word ‘Odol’, it thinks of the complainant’s mouthwash, and that an article designated with the name ‘Odol’ leads the public to assume that it is of good quality. Consequently, concludes the court, the complainant has ‘the utmost interest in seeing that its mark is not diluted [verwässert]; it would lose in selling power if everyone used it as the designation of his goods’:

The respondent has registered the mark for its steel goods for the obvious purpose of deriving from its selling power some advantage in marketing its own products. There are, of course, numerous euphonious words that the respondent could have used as the symbol of its goods; it chose the word ‘Odol’, it was clear, because this mark had acquired an especially favourable prestige through the efforts of the complainant ...

To be sure, the parties, on account of the wholly different goods put out by them are not in actual competition. That, however, is beside the point. The complainant has created a demand for its goods, while employing thereon a word having drawing power, for only through the year-long activity of the complainant was its selling power acquired ... Complainant’s ability to compete with other manufacturers of mouthwash will be impaired if the significance of its mark is lessened.[83]

If eventually our courts squarely adopt the doctrine of the Odol case, which they may be circuitously approaching by their differentiation between coined and commonplace marks, it will not be the first time that they have gone to continental armouries for the weapons with which to combat the commercial buccaneer.[84] If it be objected that the Odol doctrine hails from a country where

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[83] (Italics ours.) See Wertheimer, ‘Broadened Protection of Names and Trademarks in the German Law’ (1925) 20 TM Bull (NS) 76; Gewerblicher Rechtsschutz und Urheberrecht (1924) 204–05. Through the courtesy of Dr Wertheimer and of the United States Trademark Association, I am informed (28 December 1926) that the Odol decision has not been reversed ... moreover, German judicial and legal science have been expressing themselves more and more in favour of the principles therein expressed, so that it may be considered as authoritative. The French law would appear to be contrary to the Odol decision and to be based on the theory that where there is no concurrence there can be no concurrence déloyale. See Pouillet, Marques de Fabrique (6th edn 1912) 33–34, 721–22; Braun et Capitaine, Les Marques de Fabrique (1908) 196, 204; Pichot, De la Repression de la Concurrence Dénégiale (1923); (1864) 10 Annales de la Propriété Industrielle, 141–143; (1905) 51 ibid 144–46; Davies, op cit above n 86, at 572, 624.

[84] For example, Pillsbury v Pillsbury-Washburn Flour Mills Co, 64 Fed 841, 849 (CCA 7th, 1894); Pillsbury-Washburn Flour Mills Co Ltd v Eagle, 86 Fed 608, 627, 629 (CCA 7th, 1898); Howe v Searing, 10 Abb Pr 264, 275 (NY 1860); Dixon Crucible Co v Gaggenheim, 2 Brewst 321, 337 (Pa 1869).
registration creates an ‘incontestable right’, whereas in the US and Great Britain registration is purely procedural and creates no rights,\[85\] it should be pointed out that the Odol decision was based, not upon a peculiar German theory of registration, but upon broad general principles of fair trade.\[86\] A further and equally groundless obstacle to so broad a protection of marks is that historical fear of monopoly which has possessed the courts ever since in the first trademark case in equity Lord Hardwicke refused injunctive relief on that account.\[87\] But, as was pointed out over 40 years ago by a Scottish court, ‘monopoly is not the thing for which the complainers contend, and which the respondents resist. On the contrary, fair trading is all for the protection of which the law is invoked.’\[88\] The owner of a distinctive mark or name invoking the protection of equity for it, obtains thereby no monopoly of goods or services; these may be freely sold on their own merits and under their own trade symbols. All that the plaintiff in such cases asks is the preservation of a valuable, though possibly anonymous link between him and his consumer, that has been created by his ingenuity and the merit of his wares or services. ‘All the rest of infinity is open to defendant.’\[89\] So limited a ‘monopoly’ as that cannot affect legitimate competition, and is of the very essence of any rational system of individual and exclusive trade symbols.\[90\]

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\[86\] See above notes [84] and [85].

\[87\] See *Blanchard v Hill*, 2 Atk 484 (1742). *Cf Chadwick v Covell*, 151 Mass 190, 193-94, 23 NE 1068, 1069 (1890); *Shredded Wheat Co v Humphrey Corn Co*, 250 Fed 960, 964 (CCA 2d, 1921); *Crump Co v Lindsay*, 130 Va 144, 150, 107 SE 679, 680 (1921); *Loughran v Quaker City Chocolate Co*, 286 Fed 694, 697 (E D Pa 1923); *Barton v Rex-Oil Co*, 2 F (2d) 402, 404 (CCA 3d, 1924); *Drive It Yourself Co v North*, 148 Md 609, 130 Atl 57 (1925).

\[88\] *Dunnachie & Co v Young & Sons*, 4 Ct Sess Cas (4th series) 874, 885.

\[89\] *Coca-Cola Co v Old Dominion Beverage Corp*, 271 Fed 600, 604 (CCA 4th, 1921).

Trademarks

WHY GRANT MONOPOLIES OVER SIGNS?

Trademarks may be registered or unregistered. The owner of an unregistered trademark cannot sue for infringement (s 2) but it is protected by the action for passing off which is described below. Registration brings significant benefits: a registered trademark is protected under the Trademarks Act 1994 and the proprietor can sue someone who infringes the rights given by registration for infringement.

Whether the mark is registered or not, the owner (to use the word loosely) has a monopoly over it. The mark may be no more than a part of the English (or another) language. Why should the authorities grant a monopoly over it?


That the law of intellectual property, including trademark law, can be analysed in economic terms is no longer an insight with any power to astonish or even to offend. Still needed, however, is an analysis that formalises the economics of trademarks, relates trademarks to other forms of property, brings to bear the nascent economics of language and communication, and discusses and interrelates the principal doctrines of trademark law. To supply this need is the task we have set ourselves in this article.

It is an essay in positive rather than normative ‘law and economics’. We use economics to explain the structure of trademark law rather than to urge changes in that law. The overall conclusion is that trademark law, like tort law in general (and trademark law is part of the branch of tort law known as unfair competition), can best be explained on the hypothesis that the law is trying to promote economic efficiency.

1. THE ECONOMIC THEORY OF PROPERTY

The analysis draws heavily on the economics of property rights in law. A property right is a legally enforceable power to exclude others from using a resource, without need to contract with them. A property right confers two types of economic benefit, static and dynamic. The former is illustrated by a natural (that is, uncultivated) pasture. If the owner cannot exclude others from using his pasture, there will be overgrazing; users of the pasture will ignore the costs they impose on each other in reducing the cattle’s weight by making the cattle expend more energy in grazing in order to find enough to eat. The dynamic benefit of a property right is the incentive that the right imparts to invest in the creation or improvement of a resource in period 1 (for example, planting a crop) if no one else can appropriate the resource in period 2 (harvest time). For example, a firm is less likely to expend resources on developing a new product if competing firms that have not borne the expense of development can duplicate the product and produce it at the same marginal cost as the innovator; competition will drive the price down to marginal cost, and the sunk costs of invention will not be recouped.
Property rights impose costs as well as confer benefits. The costs of property rights are fourfold. The first is the cost of transferring such rights. If it is too high, a property right may prevent optimal adjustments to changing values. Suppose a factory is assigned a property right over a river that runs beside it, because the river is more valuable as a sewer than for recreation, but as the years go by the relative values of these uses reverse. If the recreational users are numerous, the transaction costs of their buying the right to use the river from the factory may exceed the value of the right to them. In such a case, a liability rule would be better. The factory could be induced to discontinue its use of the river by being made to pay damages equal to the costs of the pollution to recreational users. The rule would reallocate the use of the river in accordance with changed values, without requiring a transaction.

The second major cost of a property rights system is what economists call ‘rent-seeking’. Suppose a ship has sunk and it has a salvage value of one million dollars, while the cost of salvage is only 100,000 dollars. The potential gain (a form of economic rent) to the salvor is 900,000 dollars if a property right in the sunken ship can be acquired – and the competition to acquire it may eat up all or most of the potential rents, transforming them into social costs. Intellectual property sometimes creates serious problems of rent-seeking, because the resource is continuously created or discovered rather than being already owned. Like the sunken ship whose owner has abandoned it, it is waiting to be invented.

The third cost of property rights is that of protection and enforcement. It includes the costs incurred by police and courts in preventing trespass and theft, as well as the cost of a fence used to mark boundary lines or the cost of a registry used to record land titles. Intellectual property is particularly costly to protect. An idea cannot be seen, the way a piece of land can be. The land might have been transferred by inheritance for many generations but it is the same piece of land, recorded in the same land registry. Tracing the descent of an idea is harder. Moreover, because of the ‘public good’ character (roughly, the ease of using without paying) of intellectual property, it can be costly, without legal protection, to prevent misappropriation and exclude free riders.

The last cost of property rights is the social cost of restricting use of property when it has a public good character. In the case of farmland, whether cultivated or uncultivated, adding a user will impose costs on the existing user(s); so the fact that a fence keeps additional users out need not impose a net cost. But often, adding users will not impose costs on previous users of intellectual property – not directly anyway. One farmer’s using the idea of crop rotation does not prevent other farmers from using the same idea. When the marginal cost of using a resource is zero, excluding someone from using it creates a deadweight loss, in addition to the cost of enforcing exclusion.

Since intellectual property is a particularly costly form of property, we would expect (and we find) that it is limited in ways that physical property is not. For example, the requirement that an invention, to be patentable, not be obvious excludes property rights in inventions when excessive rent-seeking would be a serious problem if such rights were recognised. For ‘obviousness’ implies a low cost of discovery and development and therefore a large potential gap between value and cost – a large opportunity to obtain economic rents. The
limited duration of patents limits rent-seeking by putting a ceiling on the expected value of the patent. It also reflects the high cost of tracing an idea over a long period of time in which it may have become embodied in a great variety of inventions.

2. THE ECONOMICS OF TRADEMARKS

A. Introduction

To oversimplify somewhat, a trademark is a word, syllable, or other signifier used to distinguish a good or service produced by one firm from the goods or services of other firms. Thus SANKA designates a decaffeinated coffee made by General Foods Corp; XEROX the dry copiers made by Xerox Corporation; BIB – the MICHELIN MAN – tyres made by the Michelin Company. A stylised Penguin is the symbol of a line of paperback books published by Penguin Books; a distinctively shaped green bottle is a trademark of the producer of Perrier bottled water; the colour pink is a trademark for residential insulation manufactured by Owens-Corning.

1. Benefits of trademarks

Suppose you like decaffeinated coffee made by General Foods. If General Foods’ brand had no name, to order it in a restaurant or grocery store you would have to ask for ‘the decaffeinated coffee made by General Foods’. This would take longer to say, require you to remember more, and require the waiter or clerk to read and remember more than if you could just ask for SANKA. The problem would be even more serious if General Foods made more than one brand of decaffeinated coffee – as in fact it does. The benefit of a brand name is analogous to that of designating individuals by last as well as first names, so that, instead of having to say ‘the Geoffrey who teaches constitutional law at the University of Chicago Law School – not the one who teaches corporations’ you can say ‘Geoffrey Stone – not Geoffrey Miller’. In economic terms, the trademark reduces ‘consumer search costs’.

To perform these economising functions, a trademark or brand name (these are rough synonyms) must not be duplicated. For another maker of decaffeinated coffee to sell its coffee under the name ‘Sanka’ would destroy the benefit of the name in identifying a brand of decaffeinated coffee made by General Foods. (Whether there might be offsetting benefits is considered later.) It would be like allowing a second rancher to graze his cattle on a pasture the optimal use of which required that only one herd be allowed to graze. Moreover, as we are about to see, the failure to enforce trademarks would impose two distinct costs – one in the market for trademarked goods and the other in the market in language.

(a) The market for trademarked goods

The benefits of trademarks in reducing consumer search costs require that the producer of a trademarked good maintain a consistent quality over time and across consumers. Hence trademark protection encourages expenditures on quality. Suppose a consumer has a favourable experience with brand X and wants to buy it again. Or suppose he wants to buy brand X because it has been recommended by a reliable source or because he has had a favourable experience with brand Y, another brand produced by the same producer.
Rather than investigating the attributes of all goods in order to determine which one is brand X or is equivalent to X, the consumer may find it less costly to search by identifying the relevant trademark and purchasing the corresponding brand. For this strategy to be efficient, however, not only must it be cheaper for the consumer to search for the right trademark than for the desired attributes of the good, but past experience must be a good predictor of the likely outcome of current consumption choices. That is, the brand must exhibit consistent quality. Thus, a trademark conveys information that allows the consumer to say to himself, 'I need not investigate the attributes of the brand I am about to purchase because the trademark is a shorthand way of telling me that the attributes are the same as that of the brand I enjoyed earlier'.

Less obviously, a firm’s incentive to invest resources in developing and maintaining (as through advertising) a strong mark depends on its ability to maintain consistent product quality. In other words, trademarks have a self-enforcing feature. They are valuable because they denote consistent quality, and a firm has an incentive to develop a trademark only if it is able to maintain consistent quality. If a brand’s quality is inconsistent, consumers will learn that the trademark does not enable them to relate their past to future consumption experiences. The branded product will then be like a good without a trademark; the trademark will not lower search costs, so consumers will be unwilling to pay more for the branded than for the unbranded good. As a result, the firm will not earn a sufficient return on its expenditures promoting the trademark to justify the expenditures. A similar argument shows that a firm with a valuable trademark would be reluctant to lower the quality of its brand because it would suffer a capital loss on its investment in the trademark. It should be apparent that the benefits of trademarks in lowering consumer search costs presuppose legal protection of trademarks. The value of a trademark is the saving in search costs made possible by the information or reputation that the trademark conveys or embodies about the brand (or the firm that produces the brand). Creating such a reputation requires expenditures on product quality, service, advertising, and so on. Once the reputation is created, the firm will obtain greater profits because repeat purchases and word-of-mouth references will generate higher sales, consumers will be willing to pay higher prices in exchange for lower search costs and greater assurance of consistent quality. However, the cost of duplicating someone else’s trademark is small – the cost of duplicating a label, design, or package where the required inputs are widely available – and the incentive to incur this cost (in the absence of legal regulation) will be greater the stronger the trademark. The free-riding competitor will, at little cost, capture some of the profits associated with a strong trademark because some consumers will assume (at least for a time) that the free rider’s brand and the original trademark holder’s brand are identical. If the law does not prevent it, free riding will eventually destroy the information capital embodied in a trademark. The prospect of free riding may therefore eliminate the incentive to develop a valuable trademark in the first place.

(b) The market in languages

An entirely different benefit of trademark protection derives from the incentives that such protection creates to invest resources not in maintaining
 Trademarks

quality but in inventing new words (or symbols or, less clearly, design features used as trademarks, such as the Perrier bottle – but for the moment we confine our attention to words). Trademarks improve the language in three ways. They increase the stock of names of things, thus economising on communication and information costs in the ways just suggested. They create new generic words – words that denote entire products, not just individual brands. (‘Aspirin’, ‘brassiere’, ‘cellophane’, ‘thermos’, ‘yo-yo’, ‘dry ice’, and a number of other names of common products were once trademarks in the US – and, whatever courts might say, KLEENEX and XEROX are widely used to denote entire products as well as particular are by creating words or brands. And they enrich the language, as phrases that people value for their intrinsic pleasingness as well as their information value (PHEREMON perfume, SWAN’S DOWN cake mix).

These benefits, however, are small. (This point will later help explain important features of trademark law – such as the termination of trademark protection if the mark becomes generic – that would be inexplicable if trademarks provided the same sort of intellectual enrichment that patents and copyrights do.) To show this will require a brief excursion into the economics of language.

The goal (to which language is central) of a communication system is to minimise the sum of the costs of avoiding misunderstanding and the costs of communicating. Suppose we have a word for snow and a word for falling, and now the question is, should there be a new word meaning ‘falling snow’? In favour of the new word is the fact that unless it is very long it will be shorter to speak, read, and write; against it is that people will have to learn and remember another word. The more common a term is, the more the benefits of having a single word are likely to outweigh the costs, not only because the gains from shortening the term will be greater, but also because the cost of learning and remembering another word is less if it is in common use. So we are not surprised to find that Eskimos have a single word for falling snow, but we do not. The use of a word rather than a periphrasis to name a brand illustrates the same point.

Both examples are closely related to a statistical observation made years ago: the length of words is inverse to their frequency. It might seem that, rather than frequently used words being shorter than infrequently used words, all words would be short in order to economise on communication costs. But length is an important dimension along which words vary (and can thus be distinguished from one another), and this dimension would be lost if all words were short. It makes economic sense for the frequently used words to be short and the infrequently used ones to be long; then total length is minimised without sacrificing distinctiveness, which would increase the number of errors (misunderstanding). More generally, the drive to make language simple is balanced by the desire to avoid ambiguities and confusions that result from lack of differentiation.

Here are some other examples of efficient language rules.

1. Irregularities of grammar and spelling are more common in frequent than infrequent words. The more frequently used a word is, the easier it is to
learn by rote, and hence the less important it is that people be able to construct the word by the application of a rule. Everyone knows that the past participle of the verb ‘to be’ is ‘been’; but it is convenient to be able to construct the past participle of ‘excogitate’ by rule rather than have to recognise it.

2. Pronunciation changes faster than spelling because changes in pronunciation do not reduce the intelligibility of existing reading matters which represents a vast and valuable capital stock of knowledge.

3. Perfect synonyms are rare; they would increase learning costs without adding to the communication resources of the language (except that synonyms make it easier to write poetry that rhymes or has regular metre).

4. Pronouns, which in all known languages are short, are an ingenious device for economising on the length of words.

Examples of the efficiency of language rules could be multiplied, but the most important thing for present purposes is to note that efficiency is achieved without a system of property rights and so on. Of course, the costs of enforcement – the costs, for example, of a system under which the coiner of a word (such as Jeremy Bentham, who coined ‘codification’, ‘minimise’, and several other words still in common use) obtained a property right in it – would be staggering. This may be a sufficient explanation for why there is no such system. Yet it seems (though this is just a guess) that even without property in words, the language has attained a reasonable degree of efficiency.

Of particular relevance to trademarks is the fact that the creation of new words for new things seems not to be retarded by the fact that the coiner of a word can obtain no property right (no ‘trademark’, so to speak). Either the costs of thinking up new words are slight, or the incentives to do so, independent of any direct compensation, are great. The former seems the case with proper names (naming a baby, for example) and for terms of art. The latter seems to be the case with trademarks. If a producer wants to market a new brand effectively, he needs a distinctive name – unless of course he is trying to pass off his brand as someone else’s.

This analysis suggests that we do not need trademark protection just to be sure of having enough words, though we may need patent protection to be sure of having enough inventions, or copyright protection to be sure of having enough books, movies, and musical compositions. It is true that computer operating systems, which are a form of language, are copyrightable; and maybe an invented language, such as Esperanto, would be. But the investment required to create a new language is greater than that required to create a new word, so the case for property rights is stronger in the former instance than in the latter.

2. The costs of legally enforceable trademarks

These costs are modest, at least in the simple case of the ‘fanciful’ mark, such as EXXON and KODAK, which has no information content except to denote a specific producer or brand. Since the mark ‘goes with’ the brand (in a sense explained later), the transfer of the mark is automatically effected by a transfer of the rights to make the branded product, as by selling or licensing the production rights or assets. Unlike the case of the sunken ship, rent-seeking to
stake out a trademark is not much of a problem. The distinctive yet pronounceable combination of letters to form words that will serve as a suitable trademark are as a practical matter infinite, implying a high degree of substitutability and hence a slight value in exchange. Finally, the costs of enforcement, though not trivial (especially where there is a danger of a brand name’s becoming a generic name), are modest, and (again putting aside the generic problem) do not include the cost in inefficient resource allocation from driving a wedge between price and marginal cost. A proper trademark is not a public good; it has social value only when used to designate a single brand.

We may seem to be ignoring the possibility that, by fostering product differentiation, trademarks may create deadweight costs, whether of monopoly or (excessive) competition. We have assumed that a trademark induces its owner to invest in maintaining uniform product quality; but another interpretation is that it induces the owner to spend money on creating, through advertising and promotion, a spurious image of high quality that enables monopoly rents to be obtained by deflecting consumers from lower-price substitutes of equal or even higher quality. In the case of products that are produced according to an identical formula, such as aspirin or household liquid bleach, the ability of name-brand goods (Bayer aspirin, Chlorox bleach) to command higher prices than generic (non-branded) goods has seemed to some economists and lawyers an example of the power of brand advertising to bamboozle the public and thereby promote monopoly; and brand advertising presupposes trademarks – they are what enable a producer to readily identify his brand to the consumer. Besides the possibility of creating monopoly rents, trademarks may transform rents into costs as one firm’s expenditure on promoting its mark cancels out that of another firm. Although no monopoly profits are created, consumers may pay higher prices, and resources may be wasted in a sterile competition.

The short answer to these arguments is that they have gained no foothold at all in trademark law, as distinct from anti-trust law. The implicit economic model of trademarks that is used in that law is our model, in which trademarks lower search costs and foster quality control rather than promote social waste and consumer deception. A longer answer, which we shall merely sketch, is that the hostile view of brand advertising has been largely and we think correctly rejected by economics. The fact that two goods have the same chemical formula does not make them of equal quality to even the most coolly rational consumer. That consumer will be interested not in the formula but in the manufactured product and may therefore be willing to pay a premium for greater assurance that the good will actually be manufactured to the specifications of the formula. Trademarks enable the consumer to economise on a real cost because he spends less time searching to get the quality he wants. If this analysis is correct, the rejection by trademark law of a monopoly theory of trademarks is actually a mark in favour of the economic rationality of that law.

B. A model

The essential economic function of trademarks – that of reducing consumer search costs – can be given greater precision and rigour in a simple model. The
key analytic move, and heart of our analysis, is to define the ‘full price’ of a
good as its money price plus the search costs incurred by the buyer in
obtaining information about the relevant attributes of the good. If search costs
decline because consumers have more information, the producer may be able
to raise his price without exceeding the full price that the consumer is willing
to pay. For example, if a brand’s money price is eight dollars, and consumer
search costs are two dollars, making a full price of 10 dollars, and search costs
fall to one dollar, the producer can raise his price by one dollar without the
consumer’s feeling worse off. A firm produces information that reduces
consumer search costs in part through its trademark. The more resources the
firm spends developing and promoting its mark, the stronger will its mark be
and the lower, therefore, consumer search costs will be; so the firm will be able
to charge a higher price.

The information generated by a trademark is of two sorts. One is information
that enables the consumer to identify the source of the good – for example,
knowing that CREST toothpaste comes from a single source even if one does
not know that Procter & Gamble Company is that source. Information about
source economises on search costs by lowering the cost of selecting goods on
the basis of past experience or the recommendation of other consumers.
Imagine how high search costs would be if all producers of toothpaste used the
identical mark or no mark at all. The other sort of information produced by the
trademark is information about the product itself. For example, a ‘descriptive’
mark (of which more later) may, in addition to identifying source, describe
some properties of the brand; this information also lowers search costs.
Consumer search costs also depend on the availability of words (or other
symbols) that a firm can use as its trademark. Most of the time, as was said, the
number of available words will be too large to affect the analysis, but if one
firm is given exclusive rights to words that define or describe a product, this
will reduce the productivity of the trademarks of other firms that make the
same product and thus will increase the search costs of those firms’ consumers.
Suppose, for example, that a particular manufacturer of personal computers
could not use the terms ‘personal computer’ or ‘PC’ to advertise its computer
because another manufacturer had the exclusive right to these terms. It might
therefore have to describe its product as ‘a machine capable of doing word
processing and high speed calculations using a central processing unit’ or in
some other prolix and roundabout way. (An even more elaborate periphrasis
would be necessary if ‘word processing’ had also been appropriated.) Because
it is harder to recall long than short phrases, a lengthy advertising message that
is difficult to recall will convey less information about the firm’s product, so
search costs will rise.

Since a good’s full price is the sum of its money price and the consumer’s
search costs, which are lower the stronger the seller’s trademark is, a seller will
have an incentive to expend resources on strengthening its trademark; for this
expenditure, by reducing the consumer’s search costs, will enable the seller to
raise the (money) price for its good. As a result, even if the seller’s market is
competitive – no seller has market power or monopoly profits – different
brands of the ‘same’ product may sell at different prices. Firms with strong
Trademarks will command higher prices for their brands than other forms on the market, not because of any market power, but because the search costs associated with their brand power are lower. For example, if competition constrains the full price of the product to two dollars, a firm whose brand costs the consumer one dollar in search costs will sell its brand for one dollar, while a firm whose brand costs the consumer 50 cents in search costs will sell its brand for one dollar 50 cents, even if the two brands are (physically) identical.

The assumption that all firms produce brands of identical quality is useful in showing that prices may differ among brands not because of any quality differences in the underlying physical product but because of differences in the strength of the brands’ trademarks. Yet an important and widely recognised benefit of trademarks is that they give firms an incentive to improve the quality of their products. Without an exclusive right to use one’s own trademark, a firm that was producing a lower-quality brand could hope, by duplicating the trademark of a superior brand, to mislead consumers into believing that the brands were equivalent. By making it more costly for consumers to distinguish higher quality from lower-quality brands, this duplication would reduce a firm’s incentive to incur the added cost that would be necessary to produce a higher quality. Hence the average quality of the product as a whole would be lower than with legally enforceable trademarks.

3. THE ECONOMICS OF SPECIFIC TRADEMARK DOCTRINES

A. The acquisition, transfer and duration of trademarks

1. How trademarks are acquired

One of the costs of a property rights system – the transformation of the rents flowing from possession of a valuable right into costs of acquiring the right in the first place – is a potential problem with trademarks. There are three systems in use for regulating the acquisition of trademarks. One is registration. It resembles the systems used for acquiring patents and copyrights and is in use in most of the world outside the US. The second system, which is the traditional approach of Anglo-American common law, is a type of ‘first possession’ rule and is thus analogous to the common law method of acquiring property rights in wild animals, oil and gas, and certain other resources (including, in some states, water). The third system, the current American system, is a mixture of registration and first possession.

Under the common law approach, the possession that confers ownership of a trademark is defined as use in commerce, which means sale to intended customers (typically, the public). There are several advantages of a first-possession rule.

(a) It minimises rent-seeking. A firm allowed to register trademarks without using them might invest substantial resources in thinking up plausible new brand names. For even if, as we have suggested, the availability of such names is very great, the ownership of a vast number of them, and the aggregate licensing revenues that such ownership would command, would be a magnet drawing resources into the activity of creating brand names, probably beyond the optimal level of such investment. Apparently
the ‘banking’ of trademarks in countries such as Japan that have a pure registration system does occur and has made it more costly to enter markets in those countries.

(b) First possession reduces administrative costs compared to a system that requires deciding who first invented the trademark. Since trademarks often consist of common words, shapes, or colours, it would be costly to figure out which party to a trademark dispute had invented the mark first. A cheaper (not costless) alternative is to determine who used it first. An even cheaper alternative is to determine who registered it first, but it leads to the problem discussed in the preceding paragraph.

(c) Use in commerce means sale of the good, with the trademark attached, to the public. Thus, a potential second comer will be on notice not to invest resources in developing a mark similar to one already in use. Potential duplication is not avoided completely because, as we shall see in a moment, there will be an interval between developing and fully exploiting the mark during which another person (the ‘junior user’) may be developing the same mark unaware of the first (‘senior user’). But the potential duplication costs probably are lower, on the average at least, than in the case of patents, because the cost of adopting a new trademark is normally less than that of inventing a new product or process.

(d) Basing the property right on use fits in with the social function of trademarks in identifying and distinguishing goods. If the trademarked good is not available for sale, the trademark confers no benefit. Thus, conditioning trademark rights on use is a way of limiting the use of scarce enforcement resources to situations in which the rights in question are likely to yield net social benefits. The solution is not ideal; it could lead to the premature development and marketing of goods by a firm eager to establish a right in a nifty trademark. But if the supply of brand names is as copious as we believe, very few individual trademarks will be so valuable apart from the products that they name that a firm will distort its marketing decisions in order to appropriate a particular name.

The current American system of establishing trademark rights is a mixture of state common law rights and an optional federal registration system (itself a mixture of registration and first-possession principles) under the Lanham Act. Registration under the Lanham Act does not confer a property right without use, but less use is required than at common law; often a token sale or single shipment will suffice. The main social benefit of a federal registration system is that notice is likely to be more widespread, so that inadvertent duplication is less likely; hence use becomes a less important method of preventing duplication. But the federal registration system involves significant costs. Like a pure registration system, it may enable firms to ‘bank’ trademarks, if the use requirement really is minimal. If the sale of trademarks apart from the goods they denote is forbidden (which it is, as we shall see in the next section), ‘banking’ trademarks may not only draw excessive resources into creating trademarks, but also force competitors of the trademarks’ owner to adopt less efficient trademarks, since they could not buy them from the ‘bank’.
Trademarks

The biggest problem with a first-possession rule for intellectual property, and the strongest argument therefore for a system of paper titles (a trademark registry – corresponding, as we have noted, to the patent registry), is that the thing possessed has no definite physical locus. Suppose that producer A, who makes brand X desk lamps, is at present selling only in New York State but has plans to sell eventually throughout the country. Can producer B, who operates only in California, sell the desk lamps under the X name, on the theory that A is not using the trademark in California? Or if A is selling a hammer throughout the country under the name X and plans eventually to sell a full line of tools under the name, can B affix the name to his own brand of screwdriver? If A eventually begins to sell desk lamps in California or eventually begins to produce screwdrivers as well as hammers, who owns the X trademark – A or B?

The courts resolve these issues in a way that may minimise the costs arising from duplication of trademarks, but is rather costly and uncertain in administration. To determine whether the goods sold by A and B (if and when A completes his plans of expansion, whether geographic or product as the case may be) will be too similar to share the same name without unduly confusing the consumer, and if so whether B should be deemed an infringer, the courts primarily consider the proximity or similarity of A’s original and expansion uses, A’s unreasonable delay, if any, in enforcing his trademark against B (ie, A’s laches), and B’s good or bad faith – whether he knew about A’s trademark and was copying it or whether it was a coincidence that he began using the same mark. The closer A’s original and expansion uses are, the costlier it will be for A and its customers if A is forced to use a different mark in the expansion uses. Given the mobility of consumers, they will be confused to find that the same brand is called one thing in one State and another thing in another. That is why Standard Oil Company of New Jersey came up with a new name, EXXON, to replace the ESSO, HUMBLE, STANDARD, and ENCO marks that it had used for the identical products in different States. Consumers may also be confused if complementary goods made by the same producer, such as a hammer and a screwdriver, are sold under different names. So if A is denied the use of his trademark in his expansion markets, geographic or product, he may, like Standard Oil of New Jersey, be forced to adopt a wholly new trademark, thus sacrificing some reputation capital associated with the original mark.

The doctrine of laches forces A to internalise B’s cost of duplication. If A has reason to know that B is proceeding to develop a duplicative mark in ignorance of A’s prior use, A must, on pain of not being able to use his mark in his expansion markets, warn B off. If, however, B, far from proceeding in ignorance of A’s prior use, has copied that mark (bad faith), the costs of duplication are self-imposed, and he is entitled to less consideration.

The Lanham Act has eased the problem of geographic overlap, thanks to imaginative judicial interpretation. The courts have interpreted the act to eliminate any good-faith defence for a firm using a trademark listed in the federal registry on the same product. The idea is that, before beginning to use a mark, the firm should check the registry; if it finds that the mark is being used it cannot later claim good faith when sued for infringement. If the products are
different (the hammer and screwdriver example), the defence is not automatically extinguished, because the path of expansion into different though related products is inherently uncertain. The same can be said for geographic expansion, but there is a critical difference. Even if the firm that is using a trademark in one part of the country never expands to other parts, consumers are not fixed in one place, and in travelling around the country or in moving from one part of the country to another they may be confused if different brands of the same product are sold under the same name. They are apt to assume that every desk lamp sold under a particular brand name is the same brand, that is, is produced by the same producer. The courts have eliminated this source of confusion for registered marks.

2. The sale of trademarks

The law generally prohibits the sale of trademarks except as an incident to selling the right to produce the good that the mark identifies. This rule that trademarks cannot be appropriated ‘in gross’ may seem puzzling. Why should Coca-Cola Company, for example, not be allowed to sell its trademark while retaining all the rights to its secret formula for syrup? The answer relates to the economic function of trademarks in providing useful information, which would be more costly to obtain elsewhere about a good’s attributes. If A sells just his trademark to B and consumers know about the sale, attaching A’s trademark to B’s good will not, at least as a first approximation, enable B to obtain a higher price for his good. Contrast this with the case in which A sells the formula or other assets used to produce the good; here there is essentially just a change of ownership and hence no reason to believe that quality will be less. Where the only transfer is of the trademark itself, the knowledgeable consumer will be reluctant to pay more for the same old good (B’s good) just because it has a new name. This implies that B will purchase A’s mark in gross, for use on B’s (unchanged) good, only if a sufficient number of consumers believe that the mark still identifies A’s good (and hence are confused). In such a case, the expected value of A’s trademark affixed to B’s good will depend on the added price that B will be able to charge for his brand because consumers are confused. Recall from the model that trademarks lower search costs. If there is some probability that consumers believe that A’s mark correctly identifies B’s good, B will obtain a higher price for his (pseudo-A) good than he would without confusion. The increase in price will be higher the greater the likelihood of confusion and the stronger A’s trademark is relative to B’s.

This analysis is incomplete in three respects, however. First it fails to consider that, if blocked from selling his trademark, A can accomplish the same end by reducing the quality of its own brand, and thus obtain the same profits from deceiving consumers as it could have obtained if allowed to sell its trademark to B for use on B’s inferior good. Trademark law contains, however, a doctrine designed (perhaps not very effectively) to close this loophole. As McCarthy explains, ‘Since a trademark is not only a symbol of origin, but a symbol of a level of quality, a substantial change in the nature or identity of the goods sold under a mark may so change the nature of the thing symbolised that the mark becomes fraudulent or that the original rights are abandoned’.

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Second, the analysis ignores the market checks on A’s selling his trademark for a deceptive use by B. Once consumers ‘wise up’ to the fact that A’s trademark does not denote a good of consistent quality, they will refuse to pay as much to either A or B. It might seem, therefore, that in selling his mark, as in licensing it, A would have an incentive to monitor the quality of B’s good to make sure that B did not impair A’s reputation by selling an inferior quality of good. Moreover, even if there were no doctrine that forbade the sale of trademarks in gross, A would forfeit the trademark if a buyer attached the mark to an inferior good, for this is the rule when the trademark is sold lawfully, that is, along with the right to produce A’s good.

But this ignores the fact that A, when he sells his trademark to B, may be leaving the market in which the trademarked good is sold or even going out of business entirely. In either of these ‘last-period’ settings (as economists call them), A may face no prospect of market retaliation from selling a trademark that will be used to deceive consumers. An important aspect of the rule against sale in gross is, as a matter of fact, the law’s unwillingness to allow a creditor to levy on a trademark of the bankrupt company. Unless the buyer of the bankrupt’s estate continues the bankrupt’s business, the bankrupt’s trademarks are deemed abandoned. In this setting, the rule acts as a prophylactic against the creditor’s affixing the mark to an inferior good. It is prophylactic because, as noted earlier, the mark will be forfeited once it is discovered that it is being affixed to an inferior good, but that may take years to discover, and many consumers may be deceived in the interim.

As the analysis would predict, the rule forbidding assignments of trademarks in gross is, so far as we can determine, applied only in last-period cases. Although we have not made a complete search, the cases we have read in which a sale was voided as being in gross are all cases in which the seller was either no longer in business or no longer using the trademark himself.

Third, we have not explained B’s incentive to try to gull consumers into thinking they are buying a superior brand. If consumers are easily gulled, our earlier rejection of the monopoly theory of product differentiation would be hard to sustain. If they are not easily gulled, B will suffer the same loss of reputation capital as A. In some cases, however, that prospect will not deter B. B may be in its last period; it may have little or no reputation capital to lose; or the cost of producing its inferior product may be so low that its short-run expected gain from deception exceeds its long-run loss of reputation capital.

3. The duration of trademarks

The lack of a fixed term for trademarks is one of the striking differences between trademarks, on the one hand, and copyrights and patents, on the other. The difference, however, makes economic sense. If a given name has no scarcity value, so that it yields zero rents, perpetual compared to limited duration cannot create rent-seeking problems even if discount rates are very low (or zero or, for that matter, negative). And identification costs, which would plague perpetual patents, are not a serious problem either. The trademark is tied to physical property – the good that it names – and usually it is not costly to find out who the producer of a good, and therefore the trademark owner, is, though we shall consider some exceptions later.
Moreover, to make the producer give up the name before he ceased selling the good would impose search costs on consumers; and when and if he ceases selling the good, the trademark lapses – another illustration of the doctrine of trademark abandonment. We shall see, however, that trademarks are subject to variable limitations both of time and of ‘product space’.

B. The requirement of distinctiveness

1. Introduction

Trademark protection is available only for a word or other signifier that identifies the underlying good (or service) and distinguishes it from that of other producers. Lack of distinctiveness would make the mark incapable of identifying the good and recalling to a consumer the information (on the basis of previous experience with the good by him or other consumers) that lowers his search costs and by doing so enables the producer to charge a higher price. But even without a distinctive mark, a trademark may reduce search costs somewhat – so what would be wrong with trademark protection for non-distinctive identifiers? First, such protection might be unnecessary because no one would want to free ride on a non-distinctive identifier. The incentive to free ride depends on the difference between the profits generated by the mark – which by assumption are close to zero in the non-distinctive case – and the costs of duplication.

More important, since a mark that does not distinguish one brand from another must, virtually by definition, be using words, symbols, shapes or colours similar to those used by other producers of X, the grant of protection to such a mark might prevent the other producers from continuing to use words that they require to compete effectively. Consumer search costs are a function not only of words used to denote a particular producer’s brand but also of words used to denote the product, such as ‘computer’ or ‘electrical’. Since by definition they are words common to all or most brands, and since they are descriptive rather than arbitrary, their availability is limited. Letting a producer appropriate a non-distinctive mark would enable him to obtain, in effect, exclusive rights to such words, assuming that other producers – those with distinctive marks – would have to remove the words from their labels, packaging, or product design to avoid infringing the first producer’s trademark, as they would have to do if their use of the words were deemed source-identifying and not merely descriptive. The result would be to raise the search costs of the consumers of those producers who no longer are permitted to use the descriptive words. Ultimately this would reduce the prices of their brands and lower the amount they produced. The industry supply curve would shift to the left, resulting in a social loss because consumers would be paying higher prices for a smaller quantity. The earlier example of a firm allowed to use ‘word processor’ as a trademark illustrates this problem. The same problem would arise if producers were allowed to use the descriptive words in a non-trademark setting, but were required to add appropriate qualifiers and disclaimers to avoid infringing the trademark that employed those words. Those producers would incur added costs not borne by the owner of the trademark, and the result would be higher prices.
2. The types of trademark

The law could deal with the problem of a non-distinctive mark by requiring in every case an enquiry into the economic effects of allowing an exclusive right. The effect would be to make a trademark case very much like an anti-trust case. Anti-trust cases governed by the rule of reason are very costly to try (or even to settle), and the only thing that makes these costs (sometimes) worthwhile, both privately and socially, is the large private and social costs that some anti-trust violations impose. Since the economic consequences, of individual trademark abuses are pretty much, limited to raising consumer search costs, the potential misallocations are much smaller than in most anti-trust cases. It therefore would not pay, privately or socially, to conduct an anti-trust type analysis in most trademark cases. Instead, the law has classified potential marks by distinctiveness in a few broad categories and has made classification determinative of legality – much as in anti-trust cases governed by per se rules. The result is sometimes criticised for its crudeness, but there are potentially offsetting reductions in administrative costs.

Let us consider the categories. The so-called fanciful mark – the made-up marks that resembles no other word, such as EXXON or KODAK – is the economically (and legally) least problematic. Much like a fanciful mark in their economic properties are arbitrary and suggestive marks. The former term refers to a word in common use that his no meaning related to the product that it is used to name; APPLE [Computer] and BLACK & WHITE [Scotch] are examples. The supply of such terms is very large. There are 450,000 words in Webster’s Third New International Dictionary, and although they are not freely substitutable if one is trying to say something that will be understood, they are freely substitutable if one is uninterested in meaning.

Somewhat more problematic are suggestive marks – words that imply characteristics of the goods they are used to name but do not describe them. A good example is BUSINESS WEEK. The supply of suggestive marks is smaller, but not much smaller when one considers substitution between trademark categories. BUSINESS WEEK competes with FORBES and BARRON’S (arbitrary marks) as well as with WALL STREET JOURNAL – the last also an example of a suggestive mark.

Next in decreasing order of substitutability is the descriptive mark, such as ALL-BRAN or HOLIDAY INN. Here trademark protection is allowed only on proof of ‘secondary meaning’, which means proof that the consuming public understands the word or phrase to name the brand. A given product has only so many attributes that interest buyers. So if one producer is allowed to appropriate the word that describes that attribute, he will obtain rents measured by the higher price he receives for his brand because it is so costly for his rivals to inform their customers of the attributes of their brands without using the descriptive word that has been appropriated. In time, however, the dictionary meaning of a descriptive word may go out of common use and the word may come to signify the brand; ALL-BRAN has come to mean not any all-bran cereal but a particular brand of ALL-BRAN cereal. Once this happens, allowing the word or expression to be appropriated may generate consumer confusion and search costs, that exceed the costs to rivals of being forbidden to use the same word.
Just as words can be classified into different types of trademarks, so can shapes and other signifiers. Similar to fanciful and arbitrary words are unusual symbols and shapes and combinations of well-known symbols, shapes, and colours. No problem arises when a firm appropriates such a magnifier as its trademark. They are distinctive, so there is no question whether they are capable of providing source information; and their supply is virtually unlimited, so a competitor is not at a cost disadvantage in choosing another signifier as a trademark. Closely analogous to descriptive marks are common symbols (circles, squares, hearts, and the like) and individual colours (particularly primary colours). To allow a firm to appropriate one of these potential signifiers as its trademark creates the danger that, after several firms do this, the limited number of attractive symbols and colours will all have been used, making it more costly for other firms to compete. Still, there may come a time, particularly if the symbol or colour in question has been used exclusively over a period of years, when the common signifier denotes the producer’s brand. Not to allow exclusive use in these circumstances would destroy information capital if other producers started using the same signifier. Not surprisingly, the law allows appropriation in this case.

An interesting example is the trademarking of common shapes and colours of pills sold as prescription drugs. After a patent on a drug expires, other firms may begin selling the ‘same’ drug under a different brand name or under its generic name while copying the shape and colour of the original manufacturer’s pill. Notwithstanding the lower price charged by the new entrants, many consumers may prefer to stick with the original manufacturer; maybe they had good experience with the drug and are reluctant to believe claims that the substitute is identical in all material respects. Since a consumer is unlikely to read the fine print on the pill that identifies the manufacturer (and it really is fine print), he may rely on the only accessible signifiers – its shape and colour – to indicate that he is using the pill he wants. So if entrants are allowed to use the same size, shape, and colour, this may lead to deliberate substitution by the druggist because the manufacturer of the generic substitute charges the druggist a lower price or because the druggist is temporarily out of the original manufacturer’s drug, or to inadvertent substitution because of the druggist’s carelessness. In these circumstances, where there are large benefits from source identification and high costs of using devices other than size, shape, and colour to identify brands, we would expect, and we find, that courts grant trademark protection to common sizes, shapes, and colours of prescription drugs even though they would not do this with other products. Non-prescription drugs are an example. The manufacturer can display the name prominently on the container and packaging, and therefore does not require size, shape, and colour for source identification.

3. The problem of generic names

Generic words cannot be trademarked at all; what is more, if a trademark becomes a generic name, trademark protection immediately ceases. A generic name or term is by definition the name not of a brand but of an entire product; ‘aeroplane’ and ‘computer’ are examples of generic names. If the producer of one brand could appropriate the name of the product, he would earn rents
because of the added cost to his rivals of periphrasis – of describing their products as ‘heavier-than-air flying machines’ or ‘artificial-intelligence machines’.

The monopoly that results from the appropriation of a generic name is conventionally described as a product monopoly but is more accurately described as a language monopoly. Unless the owner of the generic name is the lower-cost producer throughout the whole feasible range of the product’s output, he will license the use of the name to competitors and receive rents in the form of licence fees. Licensing will prevent firms from expending resources on developing new ways to denote their products; taking out a licence is cheaper. Licensing thus transforms a social cost into a transfer payment to the firm appropriating the generic term, but it does not eliminate all deadweight losses. The licensing fee will lead to a reduced output (at higher prices) of the product, and there will also be costs of negotiating and enforcing the trademark licenses and costs of obtaining generic trademarks (including costs generated by rent-seeking behaviour) in the first place. Moreover, even without licensing, although the appropriation of a generic mark will raise the costs of competing firms, it need not raise them so high that any firm leaves the market; it might, however, reduce their competitive effectiveness.

Notice that the costs of obtaining generic trademarks (if such were allowed) would often merge with the costs of invention. The firm best situated to appropriate a generic name is the first producer of the product. Hence, if generic names could be trademarked, the rents from invention would go up because they would include rents from the name of the product. If the current legal protection of inventions is optimal (or is simply assumed to be such by courts unable to investigate the issue), any legal protection for generic names will create socially wasteful opportunities to earn rents.

All this may explain why generic names cannot be trademarked yet may seem to leave unexplained why a trademark that becomes a generic name loses trademark protection. If a producer is clever enough to name his brand with a word that will some day be used as the name of the entire product, should he not be rewarded for this valuable addition to the lexicon? Is the language not richer for such words as ‘thermos’, ‘aspirin’, ‘cellophane’, ‘dry ice’, all well-known examples of trademarks that have become generic names? Our discussion of the economics of language suggests an answer. Property rights are not necessary in order to induce the rapid creation of serviceable new words for new things. Trademarks are a minor source of generic names, and we can think of no product whose introduction or diffusion was retarded because it did not have a serviceable name. Observe the rapidity with which a large vocabulary of arresting and memorable terms has emerged (without significant assistance from trademarks) to describe things that are new in the last half century – medicines, weaponry, political and social movements, legal and scientific terms, and so on. Our society seems not to suffer from such lexical poverty that a more extensive system of property rights in words is needed to alleviate it. And the trade-off between invention and access must always be kept in mind. It is well illustrated by the application of the fair-use doctrine of trademark law to the controversy over the use of ‘Star Wars’ to describe President Reagan’s ‘Strategic Defence Initiative’. STAR WARS is the
A trademarked name of a movie, but it has been held that the owner of the trademark cannot prevent its use to describe the Strategic Defence Initiative. Such a use could not be enjoined in any event under traditional trademark law, which requires proof of at least a likelihood of consumer confusion; but were it not for fair-use considerations (that is, the high social value of allowing the trademark to be communalised), the use might be enjoinable under state antidilution statutes (of which more later).

Cutting off trademark protection when a trademark becomes generic will reduce the costs of communication by making it cheaper for competitors of the first producer to inform the consumer that they sell the same product. It will also reduce the cost of rent seeking. And although the original producer will expend resources on preventing his trademark from becoming generic, these are not sterile expenditures; they have the unintended but important effect of reminding consumers of the existence of competing brands. Every time General Foods Corp stresses ‘SANKA brand decaffeinated coffee’, it implies the existence of other brands of decaffeinated coffee. This retards the emergence of SANKA as a generic name but reinforces ‘decaffeinated coffee’ as a generic name. There is some social cost if SANKA would be a cheaper (it certainly is a shorter) generic name, but it may be less than the cost of allowing legal protection of trademarks that become generic names.

A second cost of cutting off trademark protection when a trademark achieves generic status is that it imposes a dichotomous solution on a continuous problem. Generic status is achieved gradually. There will be a long period during which some consumers will still think of the name as the name of a particular brand and others will think of it as the name of the product. If the law waits until everyone thinks of it as the name of the product, the trademark owner will obtain substantial rents; if the law ceases to protect the trademark as soon as a few consumers think of it as the product name, this will create undue confusion and impose substantial consumer search costs. In principle, trademark protection should cease when the costs of continued protection (dead-weight losses resulting from higher prices, which cause demand to fall; higher costs to rivals in using alternative words; and the costs of licensing and defending trademarks) exceed its benefits (diminished confusion of consumers, lower search costs, and the gains associated with the incentive to develop high quality goods). Of course the law cannot fix this point with any precision, but no satisfactory alternative springs to mind; a fixed date of expiration would be wholly unsatisfactory for the reasons explained earlier.

A difficult problem of determining whether a trademark has become a generic name arises in cases in which the trademark owner initially has a product monopoly. These cases are common, not because monopolies are common but because a brand name is likely to become a generic name when there is only one brand. Facing only one producer, consumers have little incentive to use separate terms to describe the product and the brand or, what is equivalent, to denote product information and source information. It is more economical, for example, to refer to both an instant camera and its manufacturer as POLAROID than to use both terms – until Polaroid Corp ceases to be the only manufacturer. But this also makes it difficult to distinguish between brand name and product name; the brand and the product are one. Maybe the
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presumption should be in favour of generic status. If the consumer has never had a competitive alternative to A’s product, the brand name is less likely to convey information about the particular attribute of A’s good than simply to define the product itself. Without the comparisons enabled by competition, the benefits of a trademark are difficult to evaluate because the consumer is not using A’s trademark to lower his costs of searching for the brand he wants to consume.

A different point about the monopoly case will bring out the third cost of making trademark protection end when generic status is achieved. A consumer who bought Bayer aspirin at a time when Bayer was the only producer and ‘aspirin’ was its trademark (as it still is in Canada, Germany and certain other countries) might have assumed, when other brands came on the market and were allowed to be labelled ‘aspirin’, that they would be identical to Bayer aspirin not only in formula but in every respect – including, for example, quality control. The difference between brand and product is not self-evident and may be difficult to determine in the period of transition from monopoly to competition. Giving generic status to the former brand name may in effect produce too much or too rapid competition for the patronage of consumers who ignore quality differences between the old and the new brands.

A suggestive or descriptive mark is more likely to become a generic name than a fanciful or arbitrary mark, though there are important exceptions, such as ‘aspirin’ and ‘cellophane’ (‘dry ice’, ‘thermos’, and ‘yo-yo’ are examples of a descriptive and two suggestive marks that became generic names). Why, then, would anyone choose a suggestive or descriptive mark? The answer is that, as noted earlier, such a mark conveys additional information to the consumer – to wit, information about the attributes as well as just the source of the good – and is thus a partial substitute for advertising. This gain has to be traded off against the increased risk of losing the mark should it become generic (as well as against its lesser distinctiveness, and, hence, lesser value as source identification compared to a fanciful or arbitrary mark). We predict that, the shorter the expected life of a brand, the more likely the producer is to use a suggestive mark. We also predict that a descriptive mark will generally be used only on brands with a long expected life, since it takes time to acquire secondary meaning, a prerequisite to obtaining trademark protection for such a mark.

Courts may not be doing a very good job of determining when trademarks have become generic, at least if the dictionary can be considered an accurate inventory of words in general use by the relevant publics (perhaps a big if). Of 35 illustrative examples in the McCarthy treatise of marks that courts have held to be generic, 16 either do not appear in the most recent unabridged dictionary or, if they do appear, the meaning held to be generic is not included (for example, ‘matchbox’ is in the dictionary, but not as meaning toy cars sold in matchbox-sized boxes). Of 17 illustrative examples of trademarks that courts have held not to be generic, seven nevertheless are listed in the dictionary with the rejected generic meaning. Thus, although words held to be generic are more likely to be held to show up in the dictionary than those held not to be generic, the difference in probabilities is small – 54% versus 41%.
C. The defence of functionality

The concept of functionality, in which is mainly important in connection with design features used as trademarks (the Perrier example), is a parallel to genericness. A functional feature cannot be trademarks, and a trademarked feature loses trademark protection when it becomes functional. The maker of a tyre could not trademark its circular shape but could trademark an irregularly shaped hubcap. The maker of a steak knife could not trademark the serrated blade but could trademark an intricate arabesque, carved into the handle. A particular shape for a container might initially be subject to being trademarked, but if technological developments made it much cheaper to manufacture than alternative shapes, it would lose its trademark protection.

As the last example suggests, the concept of functionality can be given a precise economic meaning. A non-functional feature, hence one that can be trademarked, is one with perfect (or nearly perfect) substitutes, so that allowing a property right in the feature will create no dead-weight loss. But if the feature lacks good substitutes, either because the product is worth less without it (the circular tyre) or because it makes the product cheaper to produce (the example of the container shape), trademark protection will be denied. The feature may of course be a worthwhile addition to the stock of useful knowledge, but, if so, it may be patentable. Trademark protection for a functional feature would circumvent the limits, discussed briefly in s 1, on the requirements for and duration of patents.

The trickiest problem with functionality is ‘aesthetic’ as distinct from ‘utilitarian’ functionality. The term ‘utilitarian’, as used in this polarity, carries its everyday sense of ‘practical’, ‘down to earth’, ‘unadorned’. The illustrations given above are of utilitarian functionality in this sense. Even if a design feature merely makes a product more pleasing, however, it may be deemed functional and trademark protection will be withheld. The concept of ‘aesthetic’ functionality gives recognition, highly appropriate from an economic standpoint, to the fact that utility in an economic sense means anything that makes a good more valuable to consumers. But a producer of a consumer product will never deliberately uglify the product – and we do not want him to. Any design feature he seeks to trademark will be designed in part to please. Hence courts have the difficult problem of disentangling the aesthetic from the identifying function of a trademarked design feature.

The concept of functionality, in both its ‘utilitarian’ and its ‘aesthetic’ aspects, can be formalised by making the cost of production of the trademarked good a function not only of the amount of the good produced but also of the physical attributes of the good that are claimed as trademarks. Assume that, if another firm is denied access to those attributes, its marginal cost of producing the good will increase; it will then be evident that exclusive rights for functional features of a product and for generic terms have the same economic effect.

A mark is not functional just because it makes the product more attractive. A more attractive trademark is equivalent to a higher-quality good. So while a strong trademark increases the price that consumers are willing to pay for the good by lowering search costs, an attractive trademark raises price by
increasing the utility that consumers get from the good once they have bought it. Because a more attractive mark will usually be more expensive to produce, the firm will invest in such a mark only if it is rewarded by obtaining a higher price for each unit of the trademarked good that it sells. And the higher the price, the more units the firm will produce. Thus the effect of giving the attractive trademark legal protection is to increase both the quality and quantity of output, thereby benefiting consumers, rather than to reduce output by raising rivals’ costs, as in the case of utilitarian functionality.

A problem arises only if the aesthetic feature becomes an attribute of the product in the minds of consumers. In that event, to produce a brand equivalent in the consumer’s mind to a brand that has this attribute a firm would have to incur additional costs, just as in the utilitarian case. The consequences for economic welfare are ambiguous. Appropriability will give the firm an incentive to spend the money necessary to produce a more attractive trademark but at the same time will raise the costs of competing firms. This is an example of true aesthetic functionality, and trademark protection is denied. Although appropriability may still be necessary to induce the expenditures required to create a pleasing design, just as to create a ‘utilitarian’ functional design, it need not take the form of trademark protection. The law authorises the grant of ‘design patents’ for up to 14 years to reward the inventors of pleasing (but not ‘utilitarian’) designs.

It might seem that if a design feature is both functional and identifying, the law should trade off the benefits of a more attractive trademark, which will fall if trademark protection is denied, against the costs of other producers, which will rise if trademark protection is allowed. But instead the law denies protection automatically once the feature is adjudged functional. This makes economic sense. A functional feature is unlikely to identify a particular brand, that is, to serve a legitimate trademarking (brand-identifying) purpose. By definition it is a feature that the consumer associates with the product rather than the brand (for example, the oval shape of a football). As a feature becomes functional, the producer will place increasing emphasis on the brand name, rather than the feature, to identify the brand. The tricky problem is to determine when the feature has become functional, that is, when its value in making the product more pleasing, or otherwise more valuable, or simply cheaper to produce, overtakes its value in preventing consumer confusion.

D. Infringement and confusion

1. Why require proof of actual or even of likely confusion?

The ownership of a valid trademark does not carry with it as broad a right to exclude others from using it as the ownership of a piece of land does, especially in jurisdictions where dilution (discussed in the next subsection) is not actionable. In order to prevent another seller from selling his goods under your trademark, you must show that consumers are likely to think that it is your brand that he is selling. This is a sensible restriction on the scope of the property right if the function of a trademark is, as we have been assuming, to name a brand. Just as people in different parts of the country or in different occupations can have identical names without causing misunderstanding, so
sellers in unrelated product or geographic markets should be able to affix the same names or other marks to their goods without confusing consumers. Suppose A and B produce different brands of product X. A has a strong mark (implying low search costs for consumers), B adopts a similar mark, but there is no likelihood of confusion between the two marks. Then both marks will convey accurate information about the reputation of the underlying product (or producer). A’s brand will command a higher price than B’s because the search costs associated with the former are lower, but this is consistent with competition and with maximising the sum of consumer and producer surplus. There will be no free riding, because B will be unable to appropriate any of A’s return from A’s high reputation for quality. B’s revenue depends on the search costs associated with its, not A’s, brand, the absence of confusion implying that consumers correctly match search costs with the brand.

Legal intervention to prevent B from using a mark that is similar to A’s but unlikely to cause confusion would impose litigation and other costs (for example, the cost of B’s changing its trademark) without any offsetting benefits. The costs could be heavy. A seller might adopt a trademark in all innocence, not knowing that some other seller, selling a different product in a remote area of the country, had adopted the same trademark previously; he might invest substantial resources in advertising the trademarked good; and he might be forced to write off the entire investment if first use established a nationwide property right covering all products. To avoid such disasters, sellers would have to invest heavily in investigating prior uses of trademarks they were thinking of adopting. These costs are reduced if the original owner must show a likelihood of confusion.

It is consistent with this analysis that the owner of a registered mark bears a lighter burden of proving likelihood of confusion, as we saw earlier. Registration warns off potential infringers in a way that mere use does not; in the example just given, the infringer, but for the trademark registry, might have no idea that the same product was being sold under the same name elsewhere in the country.

2. Determining likelihood of confusion

In deciding whether there is a likelihood of confusion, courts look at such things as the similarity of the original and allegedly infringing trademark (for example, EXXON and EXXENE), the strength of the original mark, the similarity of the products involved, whether the consumers of the products overlap, whether the products are sold through the same retail outlets, and how knowledgeable the consumers are. The last point is particularly interesting from an economic standpoint, because it shows that the inputs into the sale of a product include information supplied by buyers as well as by sellers. The cheaper the information produced by buyers is – perhaps because the consumers of a particular product are particularly knowledgeable, such as business purchasers of a supply essential to their business – the less information the seller must supply as by making a great effort to distinguish his trademark from a competitor’s.

To formalise the analysis just a bit, notice first that a consumer confronted by one of two confusingly similar marks (those of A’s and of B’s brands) will be
uncertain whether the search costs associated with the trademarked item are those associated with A’s trademark or those (assumed-to-be-higher search costs) associated with B’s. Facing A’s brand in fact, but adjusting for the possibility that it may really be B’s rather than A’s, the consumer will pay less than he would if he were sure it was A’s. The price of each unit of A will fall, and the fall will be greater the stronger A’s trademark is relative to B’s and the greater the likelihood of confusion. At the same time, consumers will underestimate the search costs associated with B’s product because they will attach a positive probability to B’s product actually being A’s. This will lead to a higher price for B’s product – the higher the greater the likelihood of confusion and the stronger A’s trademark relative to B’s.

The net effect on consumers of B’s adopting a mark confusingly similar to A’s will at first be zero. If the likelihood of incorrectly identifying A’s and B’s goods is identical, consumers paying a lower price for A’s good will just offset those paying a higher price for B’s, though a dead-weight loss will result because less of A’s good and more of B’s will be produced than consumers really want. But confusion between the two marks will lower A’s profits and thus ultimately harm consumers even more. For A will respond to the confusion by reducing both his output and his trademark expenditures (since those expenditures now yield less benefit). The reduction in output will lower consumers’ expectations that the brand they are buying will really be A’s rather than B’s and thus force A to reduce his price still further – leading to a further reduction in both his output and his trademark investment. This process may continue until eventually the information conveyed by A’s trademark is little more than that conveyed by B’s. Thus B’s infringement will have harmed consumers by eliminating A’s incentive to maintain a stronger trademark than B’s and hence produce a more valuable product (one with lower search costs).

We have been assuming that firms produce identical physical products but different brands and that A’s brand has the better reputation, but the assumption is unrealistic. When B adopts a mark similar to A’s for the purpose of confusing consumers, B is also likely to produce a lower-quality product than A. Consumers who confuse B’s mark with A’s will assume that the quality of the underlying physical goods is the same; and if B can cut costs by cutting product quality without consumers becoming aware, he will have even higher profits than he would by maintaining the same quality as A. Moreover, B’s incentive to free ride on A’s trademark will be greater the higher the quality of the underlying good (adjusted for B’s costs of making the physical good appear equivalent to A’s). Without trademark protection, therefore, A would have less incentive either to develop a strong trademark or to produce a high-quality good.

The factors that courts use to estimate the likelihood of confusion bear directly on A’s losses, and, ultimately, therefore, on A’s incentive to adopt a stronger mark. Similarities in the appearance and sound of the two marks, buyers’ lack of sophistication, similarity of the underlying product, and overlapping sales territories all raise the probability of confusion; and the stronger A’s trademark is, the greater will be the price reduction for A’s good if infringement is not prevented. The same factors also affect B’s gain from free riding. Notice in particular that B has an incentive to adopt a mark similar to A’s only if A has a
better reputation than B, so that the search costs that the buyer must incur to be sure of obtaining satisfactory quality are lower in buying from A than from B. Only then can B charge a higher price for a unit of X and earn higher profits, assuming that the physical costs of duplicating A’s trademark are not so great as to make infringement unprofitable. It would be surprising, therefore, if firms intentionally infringed weaker trademarks.

3. How likely must confusion be? Herein of intent

A final question about confusion is, how many or what proportion of consumers must be confused (or are likely to be confused) before infringement will be found? Consumers differ in their ability to distinguish among trademarks, according to how careful they are in searching for goods and to their intelligence. Suppose B adopts a trademark that is similar but not identical to that of a similar product sold by A. Careful consumers, defined as consumers with low information costs, are not fooled, but careless consumers – defined not as consumers who do not care about brands but as consumers with high information costs (equivalent in the economics of tort law to potential accident victims who have above-average costs of taking care) – are confused. Craswell is concerned with the situation in which removing all ambiguity from an advertising claim for the sake of the careless may make the advertisement confusing for the careful (or, perhaps, for some other group of careless who, however, were not deceived by the original claim). That problem is less acute in the trademark context. B should be able to find a trademark that distinguishes his product from A’s in the minds of the careless without confusing the careful (or other careless). We would therefore predict that courts would be more protective of the careless consumer in the trademark setting than in false advertising cases.

We would also predict that the allegedly infringing use would be enjoined if the plaintiff (A in our example) could show that B had adopted its similar trademark with intent to deceive, even if only the most careless consumers would be deceived. This is a case in which the cost of preventing confusion is negative, so that, even if the benefits are slight, prevention is cost-justified unless the costs of using the legal system are very high. The case in which the second seller incurs costs to devise a confusingly similar trademark is thus fundamentally different from the case in which the second seller would have to incur (modest) costs to avoid confusion. Furthermore, the more the infringer spends on duplicating another firm’s mark, thereby creating the impression that there is a single source of these two goods, the greater will be the number of consumers who are likely to be confused (given the underlying distribution of abilities and care among consumers).

Now suppose that the infringement is unintentional. B adopts a mark not knowing that it is similar to A’s and likely to cause confusion. Maybe B was unaware of A’s mark because the geographical overlap between A’s and B’s markets is small or because their products appeal to different consumers. The analysis suggests that the question of how many consumers must be confused before a court finds that B has infringed should be decided by balancing costs and benefits. B’s trademark provides benefits to those consumers who are not confused and who use B’s mark to identify and distinguish B’s good, thus
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lowering their search costs and increasing B’s output. If the additional cost to B of reducing confusion is greater than the expected reduction in harm, B should not be found to have infringed. If the situation is reversed, it should be.

The courts do not balance costs and benefits explicitly in deciding whether there has been infringement, but such a calculus may be implicit in the judicial requirement that in a case of non-deliberate infringement, the plaintiff must prove that an appreciable number of ordinarily prudent consumers are likely to be misled by the similarity between the two marks. The more who are misled, the likelier it is that the costs of confusion will exceed the costs of changing the second mark. If the law found infringement when only a trivial number of careless consumers were likely to be confused, the benefits in reduced confusion would probably be less than the costs in making the owner of the second mark adopt a new and even more dissimilar mark (or have adopted such a mark before beginning to sell this product). But if the law required that all or the vast majority of consumers be confused before arrangement could be found, the balance would tip too far the other way, for the cost of finding a new mark (especially \textit{ex ante}) is not so great that it is likely to exceed the cost of a large number of consumers’ being confused. Notice how the focus on the ordinarily prudent consumer allows for the possibility that the lowest-cost avoiders of confusion may be the consumers themselves, in which event the burden of avoiding confusion is placed on consumers, by refusing to enjoin the second mark.

It is interesting to compare the approach taken by trademark law to the problem of consumer confusion with that taken by the Federal Trade Commission to the parallel problem of misrepresentations about quality. The Commission’s efforts in this area have invited a drumbeat of criticisms, which the common law of trademark infringement has escaped. In part this is due to doctrinal differences; the Commission protects (or, at least, purports to protect) careless consumers from even innocent misrepresentations, while trademark law, as we have seen, protects the careless consumer only from deliberate misrepresentation. In part it may be due to the fact that, since a firm that complains to the Commission bears none of the costs of enforcement (they are borne by the taxpayer if the Commission decides to act on the complaint), it has less incentive to avoid making frivolous and anti-competitive complaints than it would have if it bore part of those costs, which it would do in a private lawsuit. Even more important is the difference between common law and public regulation as methods of promoting the efficient use of resources. Studies have shown that common law fields (which trademark law mainly is, despite the Lanham Act) are more likely to be influenced by a concern with achieving efficient resource allocation than administrative regulation is, for a variety of institutional reasons. This study provides further evidence of the difference.

E. Dilution

Suppose a lounge in Boston calls itself ‘Tiffany’s’ or a peanut vendor in the Bowery calls himself ‘Rolls-Royce Ltd’. There is no danger that consumers will think that they are dealing with Tiffany’s or Rolls-Royce if they patronise these
sellers, so it might seem that there would be no case for thinking them guilty of trademark infringement. Many States, however, would recognise a cause of action in such a case today for ‘dilution’ of the Tiffany’s and Rolls-Royce trademarks. A related problem – where, however, a cause of action is not recognised – is that of cheap copies, as where a perfume manufacturer advertises a very cheap perfume as a copy of Chanel No 5.

There are three possible economic grounds for the extension of the property right in the trademark beyond its use to identify a brand. The first is that there is potential for confusion; hereafter when the consumer sees that name ‘Rolls-Royce’ he will think about both the auto manufacturer and the peanut vendor, and the connotations of the name will blur. The problem is akin to what causes some people to change their name if a namesake becomes notorious. There are very few people any more named ‘Hitler’, not so much because the name would cause confusion, but because it has distracting and inappropriate associations. So the communicative value of ‘Rolls-Royce’ and ‘Chanel No 5’ is diluted in the cases we have put, although in the second case there may be an offsetting benefit: potentially valuable information is conveyed, and circumlocution would be costly. This leads us to predict that the cheap copy will be less likely to run afoul of anti-dilution statutes than would appropriation of a well-known trademark for an unrelated product.

The second economic reason for anti-dilution laws is based on external benefits. Rolls-Royce and Chanel Inc have made substantial investments in creating prestigious names, and the peanut vendor or (less clearly) the cheap copier appropriates some of the benefits of those investments without compensating the investor. If appropriation is forbidden without the trademark owner’s permission, the benefits will be internalised and the amount of investing in creating a prestigious name will rise. Those who believe that ‘product differentiation’ is a bad thing because it creates artificial barriers to entry will not applaud such a result, but as we noted earlier this view is no longer widespread among economists. The economic objection to the argument from external benefits lies elsewhere. Since the number of prestigious names is vast (and, as important, would be vast even if there were no anti-dilution laws), it is hard to see how any of their owners could obtain substantial fees. Competition would drive the fees to zero, since if a name is being used in an unrelated market, virtually every prestigious name is a substitute for every other. The peanut vendor could call himself ‘Tiffany’s’ just as well as ‘Rolls-Royce’; he is not confined in searching for names to a particular product market. The external benefits, in short, seem slight.

The last economic ground for trademark protection on the basis of dilution relates to cheap copies and is suggested by Higgins and Rubin, who note that ‘many persons purchase branded goods for the purpose of demonstrating to others that they are consumers of the particular goods’ – in other words, to impress others. Higgins and Rubin treat this as a pure consumption preference, but we prefer to view it as investment in reputation capital. Just as people conceal their undesirable characteristics in order to create or protect such capital, so they flaunt their desirable characteristics. They advertise themselves (much as sellers of goods advertise their goods) by wearing clothes, jewellery, or accessories that tell the world that they are people of refined (or
Trademarks

flamboyant) taste or high income. If others can buy and wear cheap copies, the ‘signal’ given out by the purchasers of the originals is blurred. The perfume you smell may be Chanel No 5, which tells you something about the wearer, or it may be some cheap copy. It may be difficult or impossible to tell which.

The twist here is that the confusion does not occur in the product market, market for the trademarked good, or in any other product market but in a ‘resale’ market where consumers of the product compete with other consumers for advantageous personal transactions. Using trademark law to make it harder to market cheap copies (say, by forbidding the maker of the cheap copy of Chanel No 5 to mention Chanel in its advertising) promotes competition in this market while impairing it, perhaps severely, in the product market. The trade-off would be simple only if we were confident that the sole motive for buying the cheap copy was to pass oneself off as having a higher income; then one could regard the seller of the cheap copy as a kind of contributory infringer whose sole commercial function was to make it easier for consumers to deceive the people with whom they transact in the market for personal relations and, sometimes, in the job market. If this is not the sole motive, the effect of allowing damages for dilution may be to prevent the marketing of imitations, resulting in higher price because of reduced competition. Suppose someone really could duplicate the scent of Chanel No 5; how could it describe its product accurately without mentioning the Chanel brand? Trademark protection would have the same effect as allowing a descriptive mark to be trademarked without proof of secondary meaning.

TRADEMARKS AND OTHER AREAS OF INTELLECTUAL PROPERTY LAW

Intellectual property rights are not co-ordinated in the sense that the subsistence of one right precludes the existence of other rights. So the content of a trademark may be protected by copyright or a registered design, if it includes or consists of a logo: surface decoration is, however, excluded from unregistered design right protection.

The possible subsistence of copyright in a trademark makes it necessary to obtain an assignment of copyright from a commissioned designer of the logo. Note that copyright is unlikely to subsist in a word mark: Exxon Corp v Exxon Insurance Consultants International Ltd [1982] Ch 119.

AIM OF THE 1994 ACT

The Trade Marks Act 1994 has several purposes. Most important are:
(a) It implements the First Council Directive on trademarks, ensuring that the trademark laws of all the Member States of the European Community are similar.
(b) It enables the UK to sign the Madrid Protocol, permitting UK trademark owners to obtain international trademarks.
(c) It updates a very old and outmoded piece of legislation and deregulates an area of legislation of great importance to industry.

To avoid some problems of interpretation it adopts the wording of the directive in many provisions. However, this also results in the importation into UK law of many strange Continental concepts: the directive owes a great deal to Benelux law.

It also adopts most of the optional provisions of the directive.

**SUBJECT-MATTER OF TRADEMARKS**

**Definition**

1. **Trademarks**

   (1) In this Act a ‘trademark’ means any sign capable of being represented graphically which is capable of distinguishing goods or services of one undertaking from those of other undertakings.

   A trademark may, in particular, consist of words (including personal names), designs, letters, numerals or the shape of goods or their packaging.

   The list is not intended to be exhaustive. Single colours and combinations of colours may constitute trademarks provided they are distinctive (see below). So too may slogans, provided they function as trademarks: in *HAVE A BREAK TM* [1993] RPC 217 the slogan was merely used to advertise the applicant’s Kit Kat chocolate biscuits, whereas in *I CAN’T BELIEVE IT’S YOGHURT TM* [1992] RPC 533 the slogan was the only mark applied to the goods, so the consumer would recognise it as a brand name.

   **Sounds and smells**

   Sounds and smells are included provided that they can achieve the necessary degree of distinctiveness, can be described unambiguously, and can function as a trademark.

   **Shapes**

   The shape of goods and their packaging was not registrable under the 1938 Act: *COCA-COLA TM* [1986] RPC 421. Section 3(2) provides:

   (2) A sign shall not be registered as a trademark if it consists exclusively of:

   (a) the shape which results from the nature of the goods themselves;

   (b) the shape of goods which is necessary to obtain a technical result; or

   (c) the shape which gives substantial value to the goods.
Representations

For unusual kinds of marks, the applicant will have to decide how to represent them graphically. Ultimately, the purpose will be to convince the Registrar and the courts that the mark and its representation comply with the requirements of s 1.

The requirement that they can be represented graphically may pose problems, though musical notation will suffice for tunes and a description in words (eg ‘the barking of a dog’) should do for other sounds.

Money or money’s worth

There is no longer a requirement that the goods or services are provided for money or money’s worth. Does this let in marks for retail services? Section 10(4) provides for the first time that use of a trademark (which may constitute infringement) includes selling goods or supplying services under a sign which is a registered trademark. Under the 1938 Act, marks could not be registered to retail services (see In Re Dee Corporation [1990] RPC 159): this remains the case, and indeed there is no mention of retail services in the Nice Agreement which governs the classification of goods and services. This is, however, currently under review and it is not inconceivable that retail services may be included.

Collective marks and certification marks

According to s 1(2), references to trademarks in the Act are to be construed as including references to collective marks and certification marks. These are dealt with in ss 49 and 50 respectively.

Collective marks

49. Collective marks

(1) A collective mark is a mark distinguishing the goods or services of members of the association which is the proprietor of the mark from those of other undertakings.

(2) The provisions of this Act apply to collective marks subject to the provisions of schedule 1.
Collective marks are marks which distinguish the goods or services of the members of the association which is the proprietor of the mark. An association of vegetarian restaurants might allow its members to display a collective mark to show that they are members: other trade associations may do likewise, allowing members to advertise the fact that they subscribe to a code of practice such as that for the motor industry.

There are detailed provisions governing collective marks in schedule 1 to the Act. There was no similar provision in the 1938 Act. Section 49 brings UK law into line with most Continental systems. Protection of collective marks is required under Article 15 of the directive.

Collective marks may be, and frequently are, used with other trademarks. In addition to the collective mark, the trader will operate under its own trademark which identifies its goods or services.

Since collective marks do not distinguish the goods or services of the proprietor from those of others, a modified definition of such a mark is required. Paragraph 2 of schedule 1 provides that a collective mark distinguishes the goods or services of members of the association from those of other undertakings.

Collective marks which designate the geographical origin of the goods or services may be registered. This is, of course, a significant departure from the normal rule of trademarks: but given the peculiar function of a collective mark, it is appropriate.

The proprietor of a collective mark may not prohibit the use of geographical signs or indications ‘in accordance with honest practices in industrial or commercial matters’. A manufacturer cannot be prevented from saying that his goods are made in a particular place just because that place happens to be a registered collective trademark.

**Certification marks**

Certification marks are dealt with by s 50 and by schedule 2.

50. **Certification marks**

(1) A certification mark is a mark indicating that the goods or services in connection with which it is used are certified by the proprietor of the mark in respect of origin, material, mode of manufacture of goods or performance of services, quality, accuracy or other characteristics.

(2) The provisions of this Act apply to certification marks subject to the provisions of schedule 2.
Trademarks

The purpose of a certification mark is to indicate that the goods or services on which it is used comply with certain objective standards which the proprietor has set. These may relate to:

- origin;
- material;
- mode of manufacture; or
- quality;

The terms governing the use of the mark must be set out in regulations, which must be approved prior to registration of the mark. Responsibility for this lies with the Trade Marks Registry.

In debates on the legislation, the government gave the example of an association of cheese makers, which may allow its members to put a certification mark on their goods to indicate that they were produced by traditional methods. The wool industry uses the well-known 'Woolmark', registered in the name of the International Wool Secretariat, to identify its products. And there is no reason why a manufacturer, for example, of vaccines used in fish farming, may not register a certification mark which indicates that certain fish have been treated with its products.

Like collective marks, certification marks may be used with other trademarks. The producer of goods or supplier of a service may indicate the origin of the goods or service as well as their compliance with the relevant standards.

Paragraph 2 of schedule 2 modifies the notion of what a trademark may comprise for the purposes of these provisions. It must serve to distinguish goods or services which are certified from goods or services that are not.

**CONDITIONS FOR REGISTRATION**

Trademarks may be refused registration on grounds relating to the nature of the mark itself – ‘absolute grounds’ – or on grounds relating to prior existing rights belonging to others – ‘relative grounds’.

**Absolute grounds**

The absolute grounds on which registration can be refused are set out in s 3. It implements Article 3 of the directive.

This section replaces ss 9 and 10 of the 1938 Act, which contained the two tests of distinctiveness for Part A and Part B of the register respectively. The provision of a single set of criteria does away with the split register, which would not be compatible with the directive.
3. **Absolute grounds for refusal of registration**

(1) The following shall not be registered:

(a) signs which do not satisfy the requirements of s 1(1);
(b) trademarks which are devoid of any distinctive character;
(c) trademarks which consist exclusively of signs or indications which may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or of rendering of services, or other characteristics of goods or services;
(d) trademarks which consist exclusively of signs or indications which have become customary in the current language or in the *bona fide* and established practices of the trade:

provided that, a trademark shall not be refused registration by virtue of paragraph (b), (c) or (d) above if, before the date of application for registration, it has in fact acquired a distinctive character as a result of the use made of it.

(2) A sign shall not be registered as a trademark if it consists exclusively of:

(a) the shape which results from the nature of the goods themselves;
(b) the shape of goods which is necessary to obtain a technical result; or
(c) the shape which gives substantial value to the goods.

(3) A trademark shall not be registered if it is:

(a) contrary to public policy or to accepted principles of morality; or
(b) of such a nature as to deceive the public (for instance as to the nature, quality or geographical origin of the goods or service).

(4) A trademark shall not be registered if or to the extent that its use is prohibited in the UK by any enactment or rule of law or by any provision of Community law.

(5) A trademark shall not be registered in the cases specified, or referred to, in s 4 (specially protected emblems).

(6) A trademark shall not be registered if or to the extent that the application is made in bad faith.

**Distinctiveness**

Section 3(1) has the effect of excluding marks from registration if they are devoid of distinctive character. A mark which is descriptive of the goods to which it is applied will be excluded from registration under this provision, as will any other word which another trader might legitimately wish to use to describe her goods.

It is no longer possible for a mark which is in fact distinctive to be considered unregistrable in law.

This provision implements Article 3(1) of the directive, and also reflects the requirements of Article 6 quinquies of the Paris Convention. This latter
provision limits the grounds on which registration of a trademark which is validly protected in another country party to the convention may be refused.

A sign which is not within the definition of trademark in s 1 will be excluded from registration.

A trademark is not registrable if it is devoid of any distinctive character. This involves more than considering (as the 1938 Act required) whether the mark is inherently capable of distinguishing the goods or services of the proprietor. Fewer marks will be refused registration on this ground than formerly. Surnames in particular will be more easily registered.

A trademark is not registrable if it consists exclusively of signs or indications that may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, or time of production of goods or rendering of services, or other characteristics of the goods or services – that is, it is descriptive. The courts have considered descriptiveness many times. See for example TORQ-SET [1959] RPC 344, WELDMESH [1966] RPC 220, ROTOLOK [1968] RPC 227, WHISQUEUR (1948) 66 RPC 105.

Trademarks which consist exclusively of signs or indications that have become customary in current language or in the bona fide and established practices of the trade – generic trademarks – will also be excluded from registration.

**Acquired distinctiveness**

A trademark which would otherwise be refused registration on the grounds that it lacks distinctiveness or is descriptive may nevertheless be registered if it has acquired a distinctive character in use. This must have happened before the date of the application for registration: use after the application date is of no assistance, as it is the mark’s distinctiveness at the time of the application that has to be considered.

Geographical names will be more readily registrable under the new Act than under its predecessor, which prevented registration of major place names: YORK TM [1984] RPC 231. Surnames (which are not specifically excluded by the new Act) generally lack inherent distinctiveness: but they may acquire distinctiveness and become registrable.

**Prohibited Matter**

*Public policy*

Section 3(3) provides that the following may not be registered:

(a) marks which are contrary to public policy or to accepted principles of morality (HALLELUJAH [1976] RPC 605); and
(b) marks of such a nature that they would deceive the public. The Act provides examples of what the public may be deceived about: the nature, quality or geographical origin of the goods or service (ORLWOOLA (1909) 26 RPC 693 and 850, WEE McGLEN [1980] RPC 115).

Marks prohibited by law

Tobacco, one day?

Protected emblems

Marks which consist of specially protected emblems specified or referred to in s 4 are excluded from registration by s 3(5). This covers the royal arms and certain flags, and other matter. Olympic symbols are protected by their own legislation.

Bad faith

If an application to register a trademark is made in bad faith, the mark will not be registrable. Section 3(6), which contains this provision, does not define what ‘bad faith’ means, so this is a matter for the courts and the Registrar to consider in each case. The government has suggested several examples:

(a) where the applicant has no bona fide intention of using the mark, or intends to use it but not for the whole range of goods and services listed in the application;

(b) where the applicant is aware that someone else intends to register the mark, especially where the applicant has a relationship with that other person (for example, as an employee or agent) or where the applicant has copied a mark being used abroad with the intention of pre-empting the proprietor, who may intend to trade in the UK;

(c) where the mark incorporates the name or image of a well-known person without his or her agreement.

There was no express provision in the 1938 Act concerning applications made in bad faith.

Relative grounds

Section 5 of the Act sets out the so-called relative grounds on which registration of a mark may be refused. They are relative in the sense that they are concerned with existing rights belonging to others: the provision uses the concept of an ‘earlier trademark’, which is defined in the following section of the Act. The provision also deals with other types of pre-existing rights such as copyright or design right, and common law rights.

(1) A trademark shall not be registered if it is identical with an earlier trademark and the goods or services for which the trademark is applied for are identical with the goods or services for which the earlier trademark is protected.
(2) A trademark shall not be registered if because:
(a) it is identical with an earlier trademark and is to be registered for goods or services similar to those for which the earlier trademark is protected; or
(b) it is similar to an earlier trademark and is to be registered for goods or services identical with or similar to those for which the earlier trademark is protected, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trademark.

(3) A trademark which:
(a) is identical with or similar to an earlier trademark; and
(b) is to be registered for goods or services which are not similar to those for which the earlier trademark is protected,
shall not be registered if, or to the extent that, the earlier trademark has a reputation in the UK (or, in the case of a Community trademark, in the European Community) and the use of the later mark without due cause would take unfair advantage of, or be detrimental to, the distinctive character or the repute of the earlier trademark.

(4) A trademark shall not be registered if, or to the extent that, its use in the UK is liable to be prevented:
(a) by virtue of any rule of law (in particular, the law of passing off) protecting an unregistered trademark or other sign used in the course of trade; or
(b) by virtue of an earlier right other than those referred to in subsections (1)–(3) or paragraph (a) above, in particular by virtue of the law of copyright, design right or registered designs.

A person thus entitled to prevent the use of a trademark is referred to in this Act as the proprietor of an ‘earlier right’ in relation to the trademark.

(5) Nothing in this section prevents the registration of a trademark where the proprietor of the earlier trademark or other earlier right consents to the registration.

Earlier trademark
6. Meaning of ‘earlier trademark’
(1) In this Act an ‘earlier trademark’ means:
(a) a registered trademark, international trademark (UK) or Community trademark which has a date of application for registration earlier than that of the trademark in question, taking account (where appropriate) of the priorities claimed in respect of the trademarks;
(b) a Community trademark which has a valid claim to seniority from an earlier registered trademark or international trademark (UK); or
(c) a trademark which, at the date of application for registration of the trademark in question or (where appropriate) of the priority claimed in
respect of the application, was entitled to protection under the Paris Convention as a well known trademark.

(2) References in this Act to an earlier trademark include a trademark in respect of which an application for registration has been made and which, if registered, would be an earlier trademark by virtue of subsection (1)(a) or (b), subject to its being so registered.

(3) A trademark within subsection (1)(a) or (b) whose registration expires shall continue to be taken into account in determining the registrability of a later mark for a period of one year after the expiry unless the Registrar is satisfied that there was no bona fide use of the mark during the two years immediately preceding the expiry.

A Community trademark may claim seniority from an earlier national trademark registration in one of the Member States. So long as the earlier mark remains registered it could prevent the registration of an identical or similar mark, either under the national law of the Member State concerned or under the Community Trademark Regulation. Giving the right to claim seniority avoids the need for the proprietor to maintain Community and national registrations.

Where there is an earlier trademark within sub-subsection (a) or (b) of s 6(1), and it expires, the Act will continue to count it as an earlier trademark for a year. It can still be relative grounds for refusing registration to a later mark.

However, if the Registrar is satisfied that there was no bona fide use of the mark for two years before the expiry, he may disregard that mark.

Earlier rights as obstacles

(a) The simple case

The existence of an earlier trademark will be a bar to registration of a mark if:

1. the later mark is identical to the earlier one; and
2. the goods or services specified in the later application are identical to those for which the earlier mark is registered.

This will happen comparatively rarely.

(b) Confusion

The later mark will also be unregisterable if because it is:

1. identical (s 5(2)(a)) or similar (s 5(2)(b)) to an earlier trademark; and
2. to be registered for goods or services which are identical or similar to those for which the earlier mark is protected,

there is a likelihood that the public will be confused. This includes the likelihood that the public will associate the later mark with the earlier: but despite the wording of the provision, the government stated in Parliament that this sort of confusion does not have to be present.
Trademarks

The confusion test
The confusion test includes the impression that the two marks, though graphically indistinguishable, may produce in the mind of a customer. If the customer is likely to believe that the goods bearing the mark the subject of the application have a connection with the proprietor of the earlier mark, the later application will be refused.

Likelihood of association
This concept, adopted in the directive from Benelux law, imports some principles from the law of passing off. But the Benelux law does not rely on the public being concerned about the origin of goods, so it goes beyond what is established in common law (HP Bulmer Ltd v J Bollinger SA [1978] RPC 79). The impact of this provision is one of the unknown factors in the new Act. It arose in the first reported case on the 1994 Act, Wagamama Restaurant v City Centre Restaurants [1994] FSR:

This is an action for registered trademark infringement and passing off. The plaintiff company, Wagamama Limited, owns and operates a restaurant under the name WAGAMAMA. It is also the proprietor of three registered trademarks. Each mark consists of the word WAGAMAMA. These registrations are in classes 32, 33 and 42 and cover a range of services and goods including restaurant services, catering services, beer, alcoholic and non-alcoholic drinks and mineral water. In this action nothing turns on the precise goods covered by the registrations nor is the validity of any of the registrations in issue.

The majority of the shares in the plaintiff company are owned by its managing director, Alan Takwai Yau. He came to England from Hong Kong and decided to open a restaurant which fused Japanese cuisine and western health consciousness. The restaurant was to serve high quality food but at reasonable prices. The result was the opening of WAGAMAMA restaurant in Streatham Street, London, WC1 in April 1992. It is described by Mr Yau as a Japanese-style noodle bar. Its decor is minimalist. It contains long simple tables at which customers are seated at long simple benches.

The name was chosen in the following manner. In 1989 Mr Yau’s sister had a Japanese flatmate. My Yau did not understand any Japanese but Japanese visitors used the word ‘Wagamama’. He remembered it and subsequently found out that it meant selfishness or wilfulness. He thought that the word would be suitable for his restaurant. It is not in dispute between the parties that the word WAGAMAMA has no meaning to the overwhelming majority of the population in England.

WAGAMAMA has been very successful. I was told that the plaintiff has engaged in very little advertising, a mere £24,000 in three years, but the fame of its restaurant has spread. It has received considerable press coverage, much of it very favourable. It has been reviewed in a wide variety of publications, including Homes and Gardens, Evening Standard Magazine, The Times, London
Student, City Limits, Time Out, the Daily Telegraph, Tatler, Cosmopolitan, the Independent, the Guardian, The Sunday Times and many others. WAGAMAMA has also been featured on a number of television programmes. It has received a number of awards including the Restaurant of the Year award in 1992 and the Time Out Budget Meal of the Year award in 1993. An indication of WAGAMAMA’s success is that customers are prepared to queue out into the street and wait for up to half-an-hour before they get a table.

The plaintiff also sells a book called WAGAMAMA: The Way of the Noodle which was first published in November 1994. Some 7,000 of these books have been sold not only to people from all over the UK but also from many other countries in Europe and further afield. The plaintiff also sells tee shirts bearing its name. About 100 of them are sold each week.

It is not in dispute that the plaintiff owns a significant reputation in its mark WAGAMAMA, at least in relation to its business of running an inexpensive Japanese-style noodle bar. The success of the first restaurant is such that a second much larger restaurant is in the course of development. It also will be located in central London.

The reputation of WAGAMAMA has not only attracted customers, it has also attracted businessmen, a number of whom have asked in vain for franchises.

The defendant is also in the restaurant business. It, or its wholly owned subsidiaries, run a number of restaurant chains. These are operated under the following brand names: Adam’s Rib, Filling Stations, Nacho’s Mexican Restaurants, Garfunkel’s Restaurants, Chiquito’s Mexican Restaurants, Café Uno and Deep Pan Pizza. The published accounts record that in the year ended 31 December 1993 the defendant had a turnover in excess of £95 million with profits before taxation of in excess of £12.5 million. It was intending to open 10 new restaurants in 1994 and up to 20 restaurants a year in subsequent years.

In late 1993 the defendant decided to develop another branded restaurant chain. In the words used by the defendant’s witnesses, this was to be an American theme restaurant with Indian decor and food. Mr Fysh, who appeared for the plaintiff, described it as having a decor evoking the atmosphere of an up station Indian Civil Service club of the Raj which had been recently visited by a wealthy and benevolent American. The name eventually chosen for this new chain was RAJAMAMA. The first restaurant bearing this name was opened at the very end of April 1995.

The present proceedings were commenced with great expedition. Announcements of the opening of the defendant’s restaurant appeared in the press on about 7 April. A letter before action was sent on 18 April. Following a rebuff dated 21 April there was an opposed application for ex parte relief on 26 April. The writ was issued on the same day. The plaintiff also served a notice of motion seeking full interlocutory relief. However on seeing the defendant’s evidence and realising what its exposure would be under a cross-undertaking in damages, the plaintiff did not pursue that relief. Instead directions were sought for a speedy trial. The trial, which included cross-examination of witnesses, took place in mid-July. By the conclusion of the trial, the defendant’s restaurant had been trading for less than three months. There is no evidence
before the court of how many customers it has so far attracted or the extent of any advertising, if any, it has undertaken.

As I have mentioned, at the time of the writ, the name used by the defendant was RAJAMAMA. However, as a result of the commencement of this action and in response to the application for interlocutory relief, the defendant decided to change the restaurant fascias and menus so that its brand name is now RAJA MAMA’S. That is the name it intends to continue to use. The plaintiff argues that whether the defendant uses RAJAMAMA (one word) or RAJA MAMA’S (two words) this will constitute infringement of its registered trademarks and passing off.

It is convenient to reconsider the issue of trademark infringement first. This part of the case raises an important question of law: what acts now constitute an infringement of a registered trademark?

**Trademark infringement**

**The statutory framework**

... 

**Infringement under the 1938 Act**

Under the 1938 Act, to find infringement the court compared the mark as registered with the mark as used by the alleged infringer. Whether there was infringement was determined by answering the question ‘is the mark of which complaint is made confusingly similar’ to the one which is registered. The case law in which s 4(1) of the 1938 Act and its predecessors were considered, made it clear that what counted was confusion as to the source of the goods or services bearing the offensive mark. In essence the court would determine whether, as a result of similarities between the marks, goods or services bearing the alleged infringer’s mark were likely to be thought to be derived from or connected with the proprietor of the registered mark. In determining whether the marks were too similar the court would bear in mind imperfect recollection (see *Aristoc v Rysta* [1945] AC 68) and would also consider whether the ‘idea’ of or principal impact conveyed by the marks were so similar that confusion was likely (see *Tam Manufacturing Co Ltd v Notek Engineering Co Ltd* (1951) 68 RPC 271 and *de Cordova v Vick Chemical Co* (1951) 68 RPC 103). Furthermore the test was essentially practical in the sense that the court would not consider just what the marks looked like but also what they sounded like.

If, in accordance with these principles, the marks were too similar, usually infringement would be found even if in the market place the infringer took steps to prevent confusion in fact occurring – for example, by putting disclaimers on his goods. Indeed the proprietor might not have used his registered mark at all so confusion in the market place would be impossible, yet he could succeed in infringement proceedings at least until the mark was removed from the register for non-use. To this extent therefore, a registered trademark created a monopoly which might sometimes go beyond what was strictly necessary to protect the proprietor’s goods and his reputation. Nevertheless the confusion which was looked for was confusion as to source or origin of the goods. It was enough that the similarity of the marks would make a customer believe that the alleged infringer’s goods were associated...
with the proprietor’s goods or services, for example that they were an extension of the range of goods made by the proprietor; see Ravenhead Brick Co v Ruabon Brick Co (1937) 54 RPC 341 (the ‘Rus’/‘Sanrus’ case). However even in these cases, the association had to be an association as to source or origin. In this action this type of confusion as to source has been referred to by both parties as ‘classic infringement’.

**Infringement under the 1994 Act**

There is no dispute between the parties that such classic infringement by confusion as to the source or origin of goods or services will also constitute an infringement under s 10 of the 1994 Act. The plaintiff alleges that there is such classic infringement in this case. That is a matter to which I will return later. However the plaintiff goes further. It says that s 10 of the 1994 Act, particularly s 10(2), covers confusion in a much broader sense. It is said that the registered proprietor can prevent mere association between the marks. It is argued that there will now be infringement if, on seeing the defendant’s mark, the registered mark would be ‘called to mind’ by a customer even if there is no possibility of the customer being under any misapprehension as to the origin of the goods. This is a new concept to those steeped in British trademark law.

To illustrate his point, Mr Fysh referred to a number of witness statements. All these various members of the public said *inter alia* that on hearing the name RAJAMAMA their first thoughts were of WAGAMAMA because the names sound similar. Mr Fysh said that even if their evidence had stopped there that sort of association without any more indicates trademark infringement. He said that this was so even if the customer would have no doubt when considering just the trademarks that they are similar but unconnected. This type of association, in which there is no confusion as to origin but the infringing mark ‘brings to mind’ the registered one, I shall refer to in this judgment as ‘non-origin association’.

The arguments advanced in favour of this wide scope to infringement are based upon the existence of the words ‘a likelihood of confusion on the part of the public, which includes the likelihood of association with the trademark’ which are to be found at the end of s 10(2). Mr Fysh accepted that the reference to likelihood of confusion covered classic infringement as discussed above but he argued that there were only two possible constructions which could be put upon the final words ‘which includes the likelihood of association with the trademark’. Either these words added nothing to the requirement of confusion and merely performed the function of clarifying that association in the classic sense was included within the scope of infringement or it is a deeming provision which has the effect of extending trademark protection so as to cover non-association. He says the latter is the proper construction and in support of this he deployed a number of arguments. First he says that by applying purely domestic principles of interpretation of statutes, his construction is correct. Second he advances a group of arguments based upon the European origins of the 1994 Act in support of the proposition that our trademark law must be construed to be consistent with Benelux trademark law where non-origin association has for some years been accepted as a form of trademark infringement. I shall consider separately each of these routes.
Trademarks

The domestic interpretation route

In *Hill v William Hill (Park Lane) Ltd* [1949] AC 530 at 546 Viscount Simon said:

... it is to be observed that though a Parliamentary enactment (like parliamentary eloquence) is capable of saying the same thing twice over without adding anything to what his already been said once, this repetition in the case of an Act of Parliament is not to be assumed. When the legislature enacts a particular phrase in a statute the presumption is that it is saying something which has not been said immediately before. The rule that a meaning should, if possible, be given to every word in the statute implies that, unless there is good reason to the contrary, the words add something which would not be there if the words were left out.

Based on this, Mr Fysh says that the words ‘which includes the likelihood of association with the trademark’ at the end of s 10(2) most do more than merely repeat what is already covered by the earlier words. It must cover something other than classical infringement.

I do not accept this argument. What Viscount Simon was doing was trying to work out, from the words used, what the legislative intent was. At that time it was no doubt believed, or at least hoped, that British legislation was drafted with precision and economy. It was therefore legitimate to start from the premise that each word used in a statute was necessary, and there was no tautology. Even by 1940 this was recognised as an assumption which was not always to be trusted. In the *Hill* case Viscount Jowitt pointed out at 543 that the legislature sometimes indulged in tautology. A more illuminating view was expressed by Lord Greene in the same case at 552:

I need not cite authority for the proposition that *prima facie* every word in an Act of Parliament must be given an effective meaning of its own. Whether or not the legislature in any given case has condescended to tautology is a question the answer to which depends upon the language used, but in the absence of an appropriate context one statutory provision which is expressed in entirely different language from another, whether in the same or a different section, is not to be interpreted as repetitive or unnecessary.

When construing the 1994 Act it is necessary to bear in mind the legislative context. The Act was intended, amongst other things, to implement Council Directive 89/104 of 21 December 1988 (the 1988 Directive). In particular, the provisions of s 10 of the Act are intended to implement the provisions of Article 5 of that directive. The court’s task is to try to discover the intent behind the words used by the legislature. It would be wrong to apply rules of construction developed during a period when one philosophy of draftsmanship was prevalent to a statute drafted when an entirely different philosophy applied. In particular it is quite artificial for the court to pretend that each word of a modern statute which has been lifted more or less verbatim from an EC directive was chosen with the economy which was believed to have been applied to the drafting of British statutes of purely domestic origin. There is no basis upon which the court can assume that the original directive was drafted so as to avoid tautology. It follows that there is no reason to...
conclude that the last 10 words in s 10(2) must have been included for the purpose of expanding the scope of infringement.

Indeed, viewed solely linguistically, s 10(2) appears to point away from Mr Fysh’s construction. If the words ‘likelihood of association with the trademark’ cover non-origin association, they cover classical infringement, that is to say likelihood of confusion, also. However, if this is so there would not be any point in including the reference in s 10(2) to ‘likelihood of confusion’ since it is comprehended within ‘likelihood of association’. Furthermore it is unconventional use of language to provide that the smaller (ie likelihood of confusion) includes the larger (ie likelihood of association) which would appear to be what the section says if Mr Fysh is correct.

It is therefore necessary to consider Mr Fysh’s other arguments on construction.

The European interpretation route

Mr Fysh pointed to the fact that the words ‘the likelihood of association with the trademark’ in our Act are taken from Article 5(1) of the 1988 Directive. That article is in the following terms:

The registered trademark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:

(1) Any sign which is identical with the trademark in relation to goods or services which are identical with those for which the trademark is registered;

(2) any sign where, because of its identity with, or similarity to, the trademark and the identity or similarity of the goods or services covered by the trademark and the sign, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the sign and the trademark.

The words ‘which includes the likelihood of association between the sign and the trademark’ in the directive are said to be derived from Benelux trademark law where they cover non-origin association. Therefore Mr Fysh says that the words must be treated as having the same meaning in the 1994 Act as they have in Benelux law. There are three arguments which he deploys in support of this. First he says that a document exists which indicates that the words in the directive were intended to have the meaning for which he contends. Second he says that whether or not any document exists which so indicates, it is a matter of common knowledge that the words were inserted in the directive for this purpose. Third he says that the directive was supposed to introduce a new era of trademark law harmony in the European Union. Since the Benelux courts have construed their equivalent trademark law derived from the directive to cover non-origin association, the British courts should do likewise both as a matter of comity and to help deliver the harmony which the directive hoped to secure.

In support of the arguments based on Benelux law, the plaintiff has adduced evidence from Professor Charles Gielen. He is Professor of Intellectual Property Law at the University of Groningen, Holland. He is also a partner in
the Dutch law firm, Nauta Dutilh in Amsterdam. One of his principal areas of practice is trademark law. In his witness statement he says as follows:

Whether a guiding principle or not, what is certain is that in attempting to harmonise Member States’ trademark law, the Commission has imposed upon Member States a requirement to incorporate the likelihood of association concept as developed under Benelux law.

He explained the width of the Benelux concept of likelihood of association. For example he gave the following evidence:

Q. Can you just help me on this: if Company A has a registered trademark, and Company B comes on to the market with another trademark where the marks have similarities, but no member of the public would be confused as to origin, but some members of the public say, ’Well, that has a passing similarity. It brings to mind company A’s mark, but I know that they are nothing to do with each other’. Would that be an infringement?

A. That is an infringement, yes.

Q. In that case, the infringement would have the effect of protecting company A?

A. Yes.

Q. Well beyond what is necessary to safeguard his trade, his actual trade?

A. Well, I think it protects his actual trade, because if the relevant part of the public thinks of trademark A when seeing trademark B, the effect of that is, in fact, loss of exclusivity and duration. So, I think the Benelux concept of association includes that danger.

I will now consider each of Mr Fysh’s arguments and the conclusions to which Professor Gielen has come.

Minutes of the Council meeting

Professor Gielen exhibits to his witness statement a document (the ‘Gielen document’) which, in so far as material, is in the following terms:

ANNEX

STATEMENTS

for entry in the minutes of the Council meeting at which the directive is adopted

5. Re Article 4(1)(b) and Article 5(1)(b)

(a) ...

(b) The Council and the Commission note that ‘likelihood of association’ is a concept which in particular has been developed by Benelux case law.

We do not have the minutes of the relevant Council meeting but I was invited to hold on the basis of the Gielen document that the statement concerning likelihood of association was in fact entered on the minutes. On the strength of this it is said that I should construe the 1989 Directive and our Act is having been drafted so as to introduce the relevant concepts of Benelux law.
For the proposition that it is possible to refer to minutes of a Council meeting for the purpose of construing a directive, Mr Fysh relied on *Conseil National de L'Ordre des Architectes v Egle* [1992] 2 CMLR 113. In that case, the European Court of Justice construed a directive concerning the mutual recognition of architects’ qualifications. Having done so it went on to note that its interpretation was confirmed by a joint declaration of the Commission and the Council, included in the minutes of the meeting during which the directive was adopted, according to which ‘periods of in-service training comprised in the course attested by an examination shall not affect the full-time character of such course’ (see p 127).

On the other hand Mr Platts-Mills for the defendant relied on three cases: *Re the Business Transfer Directive: EC Commission v Belgium* [1988] 2 CMLR 865; *R. v Immigration Appeal Tribunal, ex p Antonissen* [1991] 2 CMLR 373; and *Re Transport Workers: EC Commission v Greece* [1994] 1 CMLR 803 for the proposition that minutes of Council meetings cannot be used in order to construe a directive. In my view Mr Platts-Mills is right. The burden of authority appears to be against the use of such minutes. In fact in the *Egle* decision the court merely noted that the minutes were consistent with the construction of the directive at which it had already arrived. Furthermore there is much to commend Mr Platts-Mills’ argument. Minutes of Council meetings are confidential. Directives become part of the law which affects all citizens of the European union. Those citizens and their lawyers must be able to discover from open material what the laws are that bind them. It would strike at the heart of this principle if the meaning of legislation was to be determined by reference to minutes which citizens and their advisers cannot inspect. In my view that is so even if the European Court of Justice has the power to call for the minutes. What counts to citizens is the meaning of the law now, not what might be found out about it after confidential material is made public some time in the future.

Furthermore, even if Mr Fysh were right on the law, I would hold that it has no application in this case. The Gielen document not only has the word ‘Annex’ typed at its top, but also begins at page numbered 3. Professor Gielen was cross-examined as to its provenance. He did not know what it was an annex to, he did not know who wrote it and he did not know what was on the other pages. He did not claim to have attended the relevant Council meeting or to have seen the minutes of it. However he said that he believed from a source of his that the statement as recorded above was in fact entered on the Council minutes. *Halsbury’s Laws*, Vol 48, p 6 refers to the same document as ‘a document which has received some unauthorised circulation’. It points out that the document has no official status. It goes on to note that it is not certain that it accurately represents what was actually entered in the confidential minutes.

The Council minutes are confidential. The Gielen document is not a copy of them. In my view it would be wrong for the court to draw any conclusions as to the meaning of a directive on the basis of suggestions as to what is said in the minutes when the minutes themselves are closed to inspection.
The provenance of the wording is notorious

Mr Fysh’s second argument is that it is common knowledge that the wording in Article 5 of the directive is derived from Benelux law and is intended to convey into the trademark law of all Member States the same concepts. In other words it does not matter that the minutes of Council meeting are confidential because everyone knows what was intended. In support of this approach he relied on a decision of Aldous J, as he then was, in *Pioneer Electronics Capital Inc v Warner Music Manufacturing Europe GmbH* [1995] RPC 487. In that case the court had to construe s 60(1)(c) of the Patents Act 1977. That Act was framed so as to make British patent law consistent with the European Patent Convention (EPC), the Community Patent Convention and the Patent Co-operation Treaty. The origin of s 60(1)(c) was Article 64(2) of the EPC. The learned judge said at 495:

> Article 64 has its origin in German law and I believe that it is both permissible and right to take into account the meaning of the word ‘directly’ as applied by the German courts.

I do not know what material Aldous J had before him when deciding that point, nor do I know whether the permissibility of adopting that approach was argued before him. I have no reason to doubt the correctness of the decision he reached in that case. It may well be that the parties before him agreed that Article 64 of the EPC was based on certain law. That may be clear from the *travaux préparatoires*, which may be used as an aid to construction. In any event it clearly was desirable that Article 64 of the EPC should be implemented consistently throughout the European Union. Referring to German case law was therefore appropriate. But this is Mr Fysh’s comity argument to which I will turn later.

For the purpose of this else it is right to consider the issue from first principles. As mentioned above, it is permissible to refer to *travaux préparatoires* in construing European legislation. On the other hand, as appears from *Antonissen*, it is not permissible to refer to confidential Council minutes. In my view it would be wrong and dangerous to rely on Chinese whispers as to the origin and meaning of such legislation, no matter how commonly believed. What if the popular belief in fact is wrong? How do you challenge it?

As it happens, the present case illustrates particularly well the vice of this approach to construction. There is no doubt that many believe that the legislative intent behind the inclusion of the words ‘which includes the likelihood of association with the earlier trademark’ in Article 5(1)(b) was to ensure that Benelux law of trademark infringement was made part of the law of all Member States. This belief has been bolstered by a number of articles which have appeared in specialist legal publications. Among them is one which Professor Gielen has written which appeared in the 1992 volume of the *European Intellectual Property Review*. Furthermore Professor Gielen has given expert evidence that Benelux courts believe that the directive has simply been brought into line with their domestic law on this issue. His evidence was that the Benelux countries do not think that their domestic law of infringement has changed at all and that they ‘got their own way’. This is a view which others have been encouraged to accept. However it appears that there are reasons for doubting that it is correct.
One of the documents to which Professor Gielen referred in his evidence was an article entitled *Scope of Protection of the Trademark In the Benelux Countries and EEC Harmonisation* written by Fustner and Geuze. The authors were part of the Benelux delegation at the discussions which eventually gave birth to Article 5 of the 1988 Directive. It is a fascinating account, from the perspective of one delegation only, of the manoeuvring which preceded the acceptance of the final version of the directive. Before considering the article says it is useful to have in mind that it was under Article 13(A) of the Benelux Trademark Act 1971 that the case law relating to ‘association’, and non-origin association in particular, was developed.

Fustner and Geuze noted that it was the view, outside the Benelux countries, that the protection of the function of origin and the prevention of the risk of confusion were the fundamental starting point for any trademark law which did not impede competition. This view was incorporated in Article 3(1) of the draft directive of 15 October 1986. The Commission apparently was of the view that Article 13(A) of the Benelux Trademark Law was an ‘abominable and unacceptable provision’ and wanted to ensure that it did not become part of the directive. It also appears from the Fustner and Geuze article that the same view was shared, through expressed in less forthright terms, by the delegations of all other Member States. The article goes on to describe the largely unsuccessful efforts made by the Benelux delegation to persuade other delegations to their way of thinking but, as they say, ‘the Benelux countries did not hold a strong position defence-wise’. What eventually happened is discussed in a section headed ‘Towards compromise’ which takes up the last six pages of the article. In particular the authors stated as follows:

Initially the Netherlands[91] had attempted to lay down the text of Article 13(A) of the Benelux Trademark Act as such in an optional stipulation. As that did not work out, attempts were made to have the concept of the ‘risk of association’ as developed by the Benelux Court of Law accepted as an alternative to ‘the risk of confusion’. *When no support was gained for the latter option either, the Benelux countries finally, also in view of the final version of the legal preamble and the declaration in the Council minutes, to mention later (sic), and also in view of the results already attained with other items, accepted the final proposal of compromise by the other countries for Article 3 s 1 sub (b) of the draft directive:*

> if, because of its identity or similarity to the earlier trademark and the identity or similarity of the goods or services covered by the trademark, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trademark (emphasis added).

It appears to me that any popular belief, fuelled by articles in legal publications, that Article 5 of the 1988 Directive was intended to ensure that trademark infringement in all Member States changed the domestic law of trademark infringement in all Member States to that already adopted by the

[91] Professor Gielen agreed that the authors must have meant ‘Benelux countries’.
Benelux countries is open to question. If Fustner and Geuze’s article is correct, all but the Benelux countries were firmly opposed to any such move. Fustner and Geuze’s article is not admissible to help construe the directive. On the other hand it would be wrong to approach construction of the 1988 Directive and the 1994 Act on unverifiable rumours or Professor Gielen’s certainty as to what was intended.

Comity
The purpose of the 1988 Directive was to ensure a measure of uniformity between the trademark laws of Member States of the European Union. For that reason it is right that British courts should pay regard to decisions in the courts of other Member States on equivalent provisions in their law. However it is apparent from the expert evidence of Professor Gielen that the Benelux courts have simply assumed that the directive made no alteration to their domestic law. The contents of the Fustner and Geuze article suggest that this assumption may well have been wrong. In any event, the obligation of the English court is to decide what the proper construction is. If that construction differs from that adopted in the Benelux countries, one, at least, is wrong. It would not be right for an English court to follow the route adopted by the courts of another Member State if it is firmly of a different view simply because the other court expressed the view first. The scope of European legislation is too important to be decided on a first past the post basis.

The court’s approach to construction
Since none of the arguments on construction put forward by the plaintiff is acceptable, it is necessary to approach the directive and the 1994 Act from first principles.

Monopolies are the antithesis of competition. Intellectual property rights such as patents, trademarks and copyright can create barriers to trade within a country. They can create barriers to trade between countries. Differences between the laws of Member States of the European Union may add further obstructions to inter-state trade because what is permissible under the law of one Member State may be prohibited under the law of its neighbour. However, both at the domestic level and at the international level monopolies can be tolerated or even encouraged if they assist the development of commerce in some other way. Patent monopolies are the classic example. A valid patent may prevent competitors from entering a given field of commerce for up to 20 years. But this is a price which society, through its legislators, his agreed to pay to secure the increased investment in research and development which it is hoped patent monopolies will encourage. The important factor to bear in mind is that what justifies the monopoly is not the monopoly itself but the extent to which it gives, or is hoped to give, a benefit to commerce which compensates for the temporary restraint on competition. The monopoly is an adjunct to, and is designed to promote, commerce. This is central to the western system of commerce. Monopolies are the exception, not the rule; Marsden v Saville Street Co (1878) LR Ex D 203. They need to be justified. As long ago as 1615 in this country it was said that the effect of an unjustified monopoly was ‘to take away free trade, which is the birthright of every subject’ The Clothworkers of Ipswich (1615) Godbolt 252.
Trademarks have historically been used to protect the trade with which they are associated. A good summary of their function is to be found in the speech of the Advocate General in *SA CNL-SUCAL NV v HAG GF AG* [1990] 3 CMLR 571 (*HAG 2*). He said at 583:

Like patents, trademarks find their justification in a harmonious dovetailing between public and private interests. Whereas patents reward the creativity of the inventor and thus stimulate scientific progress, trademarks reward the manufacturer who consistently produces high-quality goods and they thus stimulate economic progress. Without trademark protection there would be little incentive for manufacturers to develop new products or to maintain the quality of existing ones. Trademarks are able to achieve that effect because they act as a guarantee, to the consumer, that all goods bearing a particular mark have been produced by, or under the control of, the same manufacturer and are therefore likely to be of similar quality. The guarantee of quality offered by a trademark is not of course absolute, for the manufacturer is at liberty to vary the quality; however, he does so at his own risk and he – not his competitors – will suffer the consequences if he allows the quality to decline. Thus, although trademarks do not provide any form of legal guarantee of quality – the absence of which may have misled some to underestimate their significance – they do in economic terms provide such a guarantee, which is acted upon daily by consumers.

A trademark can only fulfil that role if it is exclusive. Once the proprietor is forced to share the mark with a competitor, he loses control over the goodwill associated with the mark. The reputation of his own goods will be harmed if the competitor sells inferior goods. From the consumer’s point of view, equally undesirable consequences will ensue, because the clarity of the signal transmitted by the trademark will be impaired. The consumer will be confused and misled.


The primary function of a trademark, traditionally, has been to identify the commercial or trade origin of the goods (or services) to which it is applied. This, of course, is of central importance to a trader as the mark then indicates to the market that these goods are his, even if he is not personally identified, and it becomes the focus for his growing goodwill or reputation in that market (p 603).

That the primary function of trademarks is to indicate origin of goods or services has also been accepted by the European Court of Justice. In *HAG 2* the court said at 608:

Consequently, as the court has stated on many occasions, the specific subject-matter of a trademark right is to grant the owner the right to use the mark for the first marketing of a product and, in this way, to protect him against competitors who would like to abuse the position and reputation of the mark by selling products to which the mark has been improperly affixed. To determine the exact effect of this exclusive right which is granted to the owner of the mark, it is necessary to take account of the essential function of the mark, which is to give the consumer or final
user a guarantee of the identity of the origin of the marked product by enabling him to distinguish, without any possible confusion, that product from others of a different provenance. See Case 102/77, Hoffmann-La Roche and Case 3/78, Centrafarm v American Home Products.

Under these circumstances the essential function of the mark would be compromised if the owner of the right could not exercise his option under national law to prevent the importation of the similar product under a name likely to be confused with his own mark because, in this situation, consumers would no longer be able to identify with certainty the origin of the marked product and the bad quality of a product for which he is in no way responsible could be attributed to the owner of the right.

Furthermore in Deutsche Renault AG v Audi AG [1995] 1 CMLR 461 the court has also indicated that the essential function of a trademark extends to protection from association as to origin. In that case the court said at 483, 484:

... it should be noted, first, that the specific subject-matter of trademark rights consists in protecting the proprietor of the mark against a risk of confusion such as to allow third persons to take unlawful advantage of the reputation of the proprietor’s goods (reference made to Centrafarm v Winthrop and HAG 2) ...

According to German law, there is a risk of confusion between two trademarks not only when the trade concerned might mistakenly assume that the goods concerned come from one and the same undertaking (direct risk of confusion) but also when the mistaken assumption relates to the existence of an organisational or economic link between the undertakings concerned, such as a licensing agreement under which one undertaking is authorised to manufacture a product with the same properties as the product of the other (risk of confusion in the broader sense).

No exception can be taken under community law to the protection granted by a national law against this last-mentioned risk of confusion since it corresponds to the specific subject-matter of the trademark right which, as stated above, consists in protecting the proprietor against the risk of confusion.


As mentioned above, there are two possible constructions which may be placed on Article 5 of the 1988 Directive and s 10(2) of the 1994 Act. The rights of the proprietor against alleged infringers may be limited to classic infringement which includes association as to origin or, following the Benelux route, it could cover not only classic infringement but also non-origin association. In my view, the former construction is to be preferred. If the broader scope were to be adopted, the directive and our Act would be creating a new type of monopoly not related to the proprietor’s trade but in the trademark itself. Such a monopoly could be likened to a quasi-copyright in the mark. However, unlike copyright, there would be no fixed duration for the right and it would be a true monopoly effective against copyist and non-copyist alike. I can see nothing in the terms of the directive (or our Act), or in any secondary material which I could legitimately take into account, which
would lead me to assume that this was its objective. On the contrary, the preamble to the directive seems to point in the opposite direction since it states:

Whereas the protection afforded by the registered trademark, the function of which is in particular to guarantee the trademark as an indication of origin ...

Furthermore there appears to be little commercial justification for any such extension of trademark rights. If it had been the intention to make the directive identical with Benelux law on this important issue it could have said so. Indeed, in view of the fact that to have done so would have been significantly to expand trademark rights and thereby significantly restrict the freedom of traders to compete, I would have expected any such expansion to have been stated in clear and unambiguous words so that traders throughout the European Union would be able to appreciate that their legislators had created a new broad monopoly. As it is, no such clear and unambiguous words have been used and the language of the directive and the 1994 Act is consistent with the rights being restricted to classical infringement.

It follows that this court cannot follow the route adopted by the Benelux courts on this issue. This is regrettable since one of the main objectives of the 1988 Directive was to avoid differences in scope of trademark rights which could lead to barriers to inter-state trade. Nevertheless the natural inclination to come to a conclusion which would further harmony on this issue is not so strong that I am prepared to agree that a new millstone round the neck of traders has been created when that is not my view. If the plaintiff is to succeed in its case of trademark infringement it must do so on the classic grounds.

**Does the defendant infringe?**

As indicated above, when this action commenced, the defendant was using the mark RAJAMAMA. After the launch of the application for interlocutory relief the defendant changed to the use of RAJA MAMA’S. The plaintiff says that both versions infringe its rights. Mr Platts-Mills on the other hand argues that neither does, and that even if the version in one word does, the version in two words does not.

The approach the court should adopt to infringement under s 10 was recently set out by Jacob J in *Origins Natural Resources Inc v Original Clothing Limited* [1995] FSR 280 in which at 284 he said:

Section 10 of the Trade Marks Act presupposes that the plaintiff’s mark is in use or will come into use. It requires the court to assume the mark of the plaintiff is used in a normal and fair manner in relation to the goods for which it is registered and then to assess the likelihood of confusion in relation to the way the defendant uses its mark, discounting external added matter or circumstances. The comparison is mark for mark.

A judge brings to the assessment of marks his own, perhaps idiosyncratic, pronunciation and view or understanding of them. Although the issue of infringement is one eventually for the judge alone, in assessing the marks he must bear in mind the impact the marks make or are likely to make on the minds of those persons who are likely to be customers for goods or services under the marks. Not all customers are the same. It is therefore sometimes of
assistance for the court to hear evidence from witnesses who will help him to assess the variety of ways in which members of the target market will pronounce the marks and what, to them, will be the visual or phonetic impact of the marks. When considering infringement it is also necessary to bear in mind the possible impact of imperfect recollection on the part of members of the target market.

In this case it is conceded by the defendant that the plaintiff’s mark is entirely artificial and meaningless as far as substantially all of the target market is concerned. Although it contains the letters ‘MAMA’ it does not convey to most people the concept of motherhood. The defendant did not suggest otherwise. It is just a strange word with a pronounced internal rhythm. The defendant argues that its mark, particularly in the two word form, conveys a descriptive meaning. The letters ‘RAJA’ mean something to do with the Raj – that is to say India – and ‘MAMA’ conveys motherhood or an American connotation. I am not quite sure why this is said to refer to America, but that was the view expressed by Mr Naylor, Group Chief Executive of the defendant. Furthermore the defendant says that because the defendant’s mark is made of two recognisable parts, it will naturally be understood as being two words and, at least in relation to the RAJA MAMA’S version, this will be confirmed when the mark is seen. Because both versions of the defendant’s mark conveys (sic) a meaning, the ‘ideas’ of the plaintiff’s and defendant’s mark are different. My attention was also drawn to the differences in the first syllable of the marks and to paragraph 17.02 in Kerly’s Law of Trademarks and Trade Names (12th edn) which suggests that first syllables are particularly important when assessing the similarity of marks. Mr Platts-Mills also drew my attention to Coca-Cola of Canada v Pepsi-Cola of Canada (1942) 59 RPC 127 in which Coca-Cola failed to prevent the use of the trademark Pepsi-Cola because the only point of similarity was in the word ‘COLA’ which was common to the trade. So here it is argued that the only real point of similarity between the plaintiff’s and defendant’s marks is in the word ‘MAMA’ which also is common to the trade.

Whether there has been trademark infringement is more a matter of feel than science. I have borne in mind all of the arguments advanced by the defendant. However in this case, it is significant that the marks are being used in relation to comparatively inexpensive restaurant services. This is an area where imperfect recollection is likely to play an important role. Furthermore the fact that the plaintiff’s mark is quite meaningless means that imperfect recollection is more likely. Although some of the target market may consider the defendant’s mark to be made of two parts, each of which has some sort of meaning, I think a significant section will not bother to analyse it in that way. To them it will be just another artificial mark. Although I accept that when seen side by side the plaintiff’s and defendant’s marks are easily distinguishable, this is not determinative of the issue of infringement. As the Privy Council stated in de Cordoba v Vick Chemical Co (1951) 68 RPC 103 at 106:

A trademark is undoubtedly a visual device: but it is well-established law that the ascertainment of an essential feature is not to be by ocular test alone. Since words can form part, or indeed the whole, of a mark, it is impossible to exclude consideration of the sound or significance of those words ... The likelihood of confusion or deception in such cases is not
disproved by placing the two marks side by side and demonstrating how small is the chance of error in any customer who places his order for goods with both the marks clearly before him, for orders are not placed, or are often not placed, under such conditions. It is more useful to observe that in most persons the eye is not an accurate recorder of visual detail, and that marks are remembered rather by general impressions or by some significant detail than by any photographic recollection of the whole.

In that case one of the registered trademarks held by the Privy Council to have been infringed is illustrated at (1951) 68 RPC 270. The defendant used the mark ‘KARSOSE Vapour Rub’ illustrated at (1951) 68 RPC 226.

I have come to the conclusion that the defendant’s mark, in either form, is so similar to the plaintiff’s registered mark that there exists a substantial likelihood of confusion on the part of the relevant public. That confusion is likely to take the form that some members of the public as a result of imperfect recollection will think the marks are the same while others will think that they are associated in the sense that one is an extension of the other (cf the ‘Rus’/‘Sanrus’ case) or otherwise derived from the same source. It follows that the plaintiff succeeds on the issue of trademark infringement.

Marks with a reputation

A mark may become so well-known in its own field that the use of an identical or similar mark in a different field might cause consumers to infer that there was a trade connection. They might assume that the owner of the well-known mark has diversified or has licensed someone else to use the mark.

‘Reputation’ is probably an unfortunate word. In the French version of the directive the language is better translated as ‘of repute’.

Even if members of the public do not make this inference, the registration of a well-known mark for other goods could inhibit the ability of the proprietor to diversify or to licence the use of the mark on those goods. The attractive power of the mark would, the government accepts, be diluted by such use. Indeed, the value of a work may be diluted if a similar or identical mark is registered even for dissimilar goods or services, in the same way as use of another trademark in such circumstances will amount to an infringement.

Section 5(3) therefore confers broader protection on marks of repute. This implements Article 4(3) and (4)(a) of the directive.

In this case, a mark which is identical or similar to an earlier mark which has a reputation may not be registered even for goods or services which are not similar to those for which the earlier mark is registered. However, it is necessary for the use of the later mark ‘without due cause’ to amount to taking advantage of or to be detrimental to the distinctive character or repute of the earlier mark. This begs the question, how could such use ever be with due cause?
The reputation of an earlier UK mark or international trademark (UK) which is to be taken into account under this provision must be in the UK. If the mark in question is a Community trademark the reputation can be anywhere in the Community.

Section 5(3) abuts rather than overlaps s 5(2). The two provisions must be seen as mutually exclusive, which may assist interpretation.

**Well-known marks**

Article 6 bis of the Paris Convention:

(1) The countries of the Union undertake, *ex officio* if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be well known in that country as being already the mark of person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.

(2) A period of at least five years from the date of registration shall be allowed for requesting the cancellation of such a mark. The countries of the Union may provide for a period within which the prohibition of use must be requested.

(3) No time limit shall be fixed for requesting the cancellation or the prohibition of the use of marks registered or used in bad faith.

Article 6 bis is implemented by s 56. In s 6(3)(b), its effect has to be taken into account by providing that a mark protected under this provision will prevent the subsequent registration of an identical or similar mark.

**Other prior rights**

A trademark will also be refused registration if its use in the UK is likely to be prevented:

– by any rule of law protecting an unregistered trademark, or other sign used in trade (s 5(4)(a)); or

– by an earlier right other than an earlier trademark right (s 5(4)(b)).

The first of these is directed in particular at earlier common law rights, and the second at copyright, design right and registered designs. The s 5(4)(a) derogation is permitted under Article 4(4)(b) of the directive. It gives important protection to owners of prior unregistered trademarks.

Paragraph (b) of this subsection covers other sorts of earlier rights. No one may validly register a trademark if it consists of a work protected by someone
else’s copyright, or by rights in a design. This implements Article 4(4)(c) of the directive. It has been used in the case of the Direct Line application referred to above, in connection with a dispute over ownership of the copyright in the jingle. The putative owner of the copyright is reportedly opposing the application.

Consent

The consent of the owner of the earlier right in question (including an earlier trademark) will enable the later application to proceed. Such consent will often even overcome the Registrar’s view that there is a likelihood of confusion: it will be taken as an indication from someone in the marketplace that there is no such risk.

However, consent is not necessarily conclusive. Article 4(5) of the directive gave the option of providing that:

5. The Member States may permit that in appropriate circumstances registration need not be refused or the trademark need not be declared invalid where the proprietor of the earlier trademark or other earlier right consents to the registration of the later trademark.

In UNIVER TM [1993] RPC 239 the High Court upheld the Registrar’s refusal to register the mark UNIVER for medicines for humans. The consent of the owner of the mark UNIVET, already registered for veterinary medicines, did not suffice. In this sort of situation the registry would rise a ‘danger citation’: this appears to remain within the Registrar’s discretion.

Honest concurrent user and vested rights

The so-called ‘honest concurrent user’ has always previously been able to register the mark notwithstanding an earlier registration, subject to the Registrar’s discretion to allow two marks on the register at the same time, under s 12(2) of the 1938 Act. But the new Act differs radically from its predecessor in its treatment of marks which were in use before another person applied to register them.

The proprietor of a mark who is able to show de facto concurrent use, and to succeed in a passing off action, has no right to have his or her mark registered. The register would not therefore accurately reflect the marketplace: the registered proprietor would not be the person identified by customers as the owner of the mark. This means that trademark owners must no longer rely on common law rights alone, but go for registration whenever possible.

The steps of the procedure can be summed up as follows:

1. Is there an earlier trademark or other right?
2. Has the applicant satisfied the Registrar that there is honest concurrent use?
(3) Does the proprietor of the earlier right oppose registration of the later mark?
(4) If so, the Registrar may refuse. If not, he has no discretion to do so.

7. **Raising of relative grounds in case of honest concurrent use**

(1) This section applies where on an application for the registration of a trademark it appears to the Registrar:

(a) that there is an earlier trademark in relation to which the conditions set out in s 5 (1), (2) or (3) obtain; or

(b) that there is an earlier right in relation to which the condition set out in s 5(4) is satisfied,

but the applicant shows to the satisfaction of the Registrar that there has been honest concurrent use of the trademark for which registration is sought.

(2) In that case the Registrar shall not refuse the application by reason of the earlier trademark or other earlier right unless objection on that ground is raised in opposition proceedings by the proprietor of that earlier trademark or other earlier right.

(3) For the purposes of this section ‘honest concurrent use’ means such use in the UK, by the applicant or with his consent, as would formerly have amounted to honest concurrent use for the purposes of s 12(2) of the Trade Marks Act 1938.

(4) Nothing in this section affects:

(a) the refusal of registration on the grounds mentioned in s 3 (absolute grounds for refusal); or

(b) the making of an application for a declaration of invalidity under s 47(2) (application on relative grounds, where no consent to registration).

(5) This section does not apply when there is an order in force under s 8 below.

**Objections on relative grounds**

Section 7 provides a mechanism under which the burden of raising objections on relative grounds falls in certain circumstances on the owner of the earlier mark rather than on the Registrar. If the applicant is able to satisfy the Registrar that there has been honest concurrent use, the Registrar will not be able to sustain an objection: the application will be registered and it will be for the owner of the earlier mark to oppose. The honest concurrent user therefore gets the benefit of any doubt there may be: in other words, honest concurrent use shifts the burden of proof to the proprietor of earlier mark.

Under this system, trademark owners – whether their marks are registered or unregistered – must maintain a watch for applications that conflict with their marks. The Registrar may insist that the applicant give notice of the advertisement of its application to the proprietor of the cited mark.
If there is an opposition from the owner of the earlier mark, the Registrar will have to decide whether the grounds for refusal have been established. If the marks are identical, and so are the goods or services for which registration is sought, the application must be refused: the fact that there has been honest concurrent use will not overcome an objection under s 5(1).

If, however, either the mark of the goods or services are merely similar (within s 5(2)), a likelihood of confusion on the part of the public will have to be shown for the opposition to succeed. Concurrent use of the two marks will probably make it difficult for such a likelihood to be shown.

Similarly, if the opposition is based on the fact that the later mark would unfairly take advantage of the reputation of the earlier one (s 5(3)), it may be material that the two have co-existed in the past.

**Vested rights**

The question of the rights of the owner of an earlier trademark to register it is still only half the story. Section 7 of the 1938 Act also provided a saving for vested rights, not repeated in the 1994 Act.

This meant that the proprietor of a registered trademark could not interfere with or restrain the use by any person of a similar or identical trademark which that person had been using on the same goods before. The section also required that the use be continuous, and have started earlier than the use of the mark by the proprietor of the registered mark (or a predecessor in title) or before the registration of that mark.

The prior rights owner could apply to register his mark under s 12(2) of the 1938 Act, but was also immune from an infringement action. He is not so well-protected under the new law.

Section 11(3) of the new Act provides that no infringement is committed by the use in the course of trade in a particular locality of an earlier right which applies only in that locality. What is a particular locality is far from clear, but the government explained that the provision is designed to protect small, local businesses such as plumbers whose trade name may be registered by a national organisation. Article 6 of the directive provides that the registration of a trademark must not permit the proprietor to prohibit a third party from using an earlier local right recognised by the laws of the Member State.

**Doing Away with Searching**

Section 8 of the Act empowers the Secretary of State to change by statutory instrument the provisions which require the Registrar to make a search and to refuse registration on relative grounds. This would leave it to the owners of other rights to raise objections on relative grounds and thus to keep the register clean. However, it may only come into operation when the Community system has been going for 10 years.
8. Power to require that relative grounds be raised in opposition proceedings

(1) The Secretary of State may by order provide that in any case a trademark shall not be refused registration on a ground mentioned in s 5 (relative grounds for refusal) unless objection on that ground is raised in opposition proceedings by the proprietor of the earlier trademark or other earlier right.

(2) The order may make such consequential provision as appears to the Secretary of State appropriate:

(a) with respect to the carrying out by the Registrar of searches of earlier trademarks; and

(b) as to the persons by whom an application for a declaration of invalidity may be made on the grounds specified in s 47(2) (relative grounds).

(3) An order making such provision as is mentioned in subsection (2)(a) may direct that so much of s 37 (examination of application) as requires a search to be carried out shall cease to have effect.

(4) An order making such provision as is mentioned in subsection (2)(b) may provide that so much of s 47(3) as provides that any person may make an application for a declaration of invalidity shall have effect subject to the provisions of the order.

(5) An order under this section shall be made by statutory instrument, and no order shall be made unless a draft of it has been laid before and approved by a resolution of each House of Parliament.

No such draft of an order making such provision as is mentioned in subsection (1) shall be laid before Parliament until after the end of the period of 10 years beginning with the day on which applications for Community trademarks may first be filed in pursuance of the Community Trademark Regulation.

Section 37(2) presently requires the Registrar to carry out a search. However, the same procedure will not be followed in the Community Trademark Office, where the only way for relative grounds to prevent the registration of a later mark will be for them to be raised in opposition proceedings.

This will give rise to an anomalous situation. UK marks will have to go through this rigorous procedure while Community trademarks, which will have the same effect in the UK, will be registered without a search.

In addition to modifying the arrangements for searching for earlier trademarks, the order which the Secretary of State may make may also cover who may apply for the registration of a mark to be declared invalid on relative grounds (s 47(3)).

The existing provisions in s 37 will not be repealed by the order. They will merely cease to have effect. This means that they could be brought back into operation at a future date by the same legislative means.
EXCLUSIVE RIGHTS

Extent

9. Rights conferred by registered trademark

(1) The proprietor of a registered trademark has exclusive rights in the trademark which are infringed by use of the trademark in the UK without his consent.

The acts amounting to infringement, if done without the consent of the proprietor, are specified in s 10.

(2) References in this Act to the infringement of a registered trademark are to any such infringement of the rights of the proprietor.

(3) The rights of the proprietor have effect from the date of registration (which in accordance with s 40(3) is the date of filing of the application for registration):

provided that:

(a) no infringement proceedings may be begun before the date on which the trademark is in fact registered; and

(b) no offence under s 92 (unauthorised use of trademark, etc in relation to goods) is committed by anything done before the date of publication of the registration.

The owner of a registered trademark has the exclusive right to the mark: note that this is not the exclusive right to use the mark, which the 1938 Act provided for, although s 9(1) of the new Act does say that the owner’s exclusive rights are infringed by use in the UK without consent. Section 10 sets out the sorts of acts which are infringements. Article 5 of the directive addresses both concepts together.

The directive says nothing about use of a trademark other than to define infringing use. There is no express need for a commercial connection, or what is known as ‘trademark use’. Note that the government believes that the requirement for trademark use is however inherent in the wording of the Act. Use as an Internet domain name – absent trading activity – therefore probably would not infringe.

Commencement

The proprietor’s rights have effect from the date of registration. Section 40(3) provides that this will be the date of filing the application: and the date of filing may, in the case of an application claiming priority under the Paris Convention from an earlier filing overseas, be the priority date.

Infringement proceedings may not be brought until the mark has been registered. Up to that point, there is no right to be infringed. However, the date from which the mark becomes operational from the point of view of the
criminal provisions of the legislation is earlier: proceedings may be brought under s 92 if the application has been published. These provisions respectively re-enact the present position regarding infringement proceedings, and follow the general principle in criminal law that penalties should not be imposed with retrospective effect.

Infringement

Section 10 contains the details of what constitutes an infringement. It implements Article 5 of the directive, and replaces the old Act’s ss 4 and 5.

The rights granted are much wider than under the 1938 Act: infringement is no longer restricted to use on the goods or services for which the mark is registered, but covers similar goods and services and in some cases (perhaps very rare) dissimilar goods or services.

10. Infringement of registered trademark

(1) A person infringes a registered trademark if he uses in the course of trade a sign which is identical with the trademark in relation to goods or services which are identical with those for which it is registered.

(2) A person infringes a registered trademark if he uses in the course of trade a sign where because:

(a) the sign is identical with the trademark and is used in relation to goods or services similar to those for which the trademark is registered; or

(b) the sign is similar to the trademark and is used in relation to goods or services identical with or similar to those for which the trademark is registered,

there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trademark.

(3) A person infringes a registered trademark if he uses in the course of trade a sign which:

(a) is identical with or similar to the trademark; and

(b) is used in relation to goods or services which are not similar to those for which the trademark is registered,

where the trademark has a reputation in the UK and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

Identical mark, identical goods

The first situation is where there is unauthorised use of a mark identical to the registered mark on goods or services for which that mark is registered. This was an infringement under the 1938 Act, and will be an infringement under the 1994 Act.
There is no question of having to show that confusion is caused by this use: because of the identity of the marks and of the goods or services, confusion is considered inevitable and need not be demonstrated.

**Similar marks, similar goods and services**

Section 10(2) describes two situations where due to similarities between either the marks or the goods or services unauthorised use of a mark may infringe. The first is where an identical mark is used on goods or services similar to those for which the mark is registered: the second is where a similar mark is used on similar goods or services.

In these cases, the law does not assume that confusion will inevitably result. It requires that the proprietor of the mark shows that the public is likely to be confused by the junior use.

This expressly includes the situation where there is a likelihood of association between the registered mark and the other sign. This covers the impression of association that two signs, though they can be distinguished visually, may produce in the consumer’s mind.

This, then, extends the rights of the proprietor: previously it was only possible to take action for infringement if the goods or services on which the infringing mark was used were within the specification of the senior mark. It also has the consequence that the registry will take a somewhat different view of overly broad specifications when applications are examined. The need to cover a wide range of goods is reduced by the possibility of suing for use on goods or services which are merely similar, so the registry is likely to be less prepared to allow wide specifications.

**Dilution**

Article 5(2) of the directive permits Member States to include a third form of infringement. It covers the unauthorised use of a sign which is identical or similar to a registered trademark on goods or services which are not similar to those for which the mark is registered.

2. Any Member State may also provide that the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trademark in relation to goods or services which are not similar to those for which the trademark is registered, where the latter has a reputation in the Member State and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trademark.

Section 10(3) contains this provision, which parallels that in s 5(3) which deals with relative grounds for refusal of registration.
Action may not be taken against this sort of use in every case. The Act sets threshold conditions: the mark must be one which has a reputation, and the use must without due cause take unfair advantage of or be detrimental to the distinctive character or the reputation of the mark.

There is therefore no need for the goods on which the second mark is used to be in direct competition with the registered mark. The proprietor’s sales do not even have to be damaged.

**Claeryn/Klarein**

Due to the first use in the Netherlands in March 1952 and the filing of three deposits with the Benelux Trademark Office at the Hague as provided for by the Benelux Trademark Law on 17 and 21 December 1971, the Lucas Bols Co is the owner of the mark ‘Claeryn’ and of the same word written in a specific typographical style as well as of the same word as the central motif of a label for the product, Holland gin. Due to the very intensive and widespread use of this mark for 21 years, the Lucas Bols Co attained great notoriety and ‘goodwill’ in the Netherlands for the product which it sold under this mark, namely a young genever. This notoriety is particularly based on the fine quality of the product sold under this mark and on the extensive advertising which includes television, radio, and the press. The Lucas Bols Co found out that Colgate had selected the mark ‘Klarein’ to designate a cleanser, a so-called ‘all-purpose cleanser’ consisting of liquid soap which is to be marketed in bottles, and that Colgate intended to market the cleanser in the Netherlands under the mark ‘Klarein’ and to advertise this publicly through the media in the weeks following the commencement of this proceeding. The mark ‘Klarein’ chosen by Colgate shows a certain typographical similarity to the mark ‘Claeryn’ of Lucas Bols and the former term is phonetically completely identical with the latter. The Lucas Bols Co requested Colgate in writing not to start using the term ‘Klarein’. Colgate’s answer indicated, however, that it did not intend to comply with the request of Lucas Bols.

**On the proceedings:**

Based on the foregoing facts, Lucas Bols filed a motion with the President of the District Court (Arrondissements-Rechtbank) Amsterdam requesting that Colgate be enjoined in a summary proceeding from in any way interfering with the Lucas Bols mark ‘Claeryn’ and ordering Colgate to pay a penalty for each violation of this injunction. The President of the Amsterdam Court granted the motion. Colgate appealed to the Court of Appeals (Gerechtshof) Amsterdam. The Court of Appeals Amsterdam reversed the decision of the President and rendered a new decision prohibiting Colgate from using the mark ‘Klarein’ or any other mark similar to the mark ‘Claeryn’ and set a penalty for each violation of this injunction.

Colgate appealed on the law from the decision of the Court of Appeals. Thereupon the Dutch Supreme Court, by decree dated 14 June 1974, submitted the following questions to the Benelux Court regarding the construction of Art 13A(1) at the beginning, and No 2 of the Uniform Benelux Trademark Act:
1. Under the above provision, does the right of the owner of the mark to oppose the use of the same or similar mark for a kind of goods other than those for which he mark is registered, depend upon the fact:

   that the distinctiveness of the mark which is sought to be protected is impaired by such use?

2. that such use creates a risk of confusion in the public as to the source of the goods or that the notoriety of the mark, which is sought to be protected, is improperly exploited?

May the damages referred to in aforesaid provision – exclusively or in part – consist of the following: that by the use of the same or similar mark for a kind of goods other than those for which the mark is registered. The attraction of the mark for the latter kind of goods is diminished because the other kind of goods – even if it does not per se appeal to the sensations of the public in a negative way – nevertheless appeals to these sensations in such a way that the mark’s capacity to stimulate the desire to buy is interfered with in regard to the kind of goods for which it is registered.

3. Does the answer to the above questions depend on whether the mark, which is sought to be protected, is a ‘famous mark’? If yes, what requirements must be fulfilled in order that a mark be deemed a ‘famous mark’?

4. What standard is to be applied in determining whether the same or a similar mark is used without justifiable reasons within the meaning of the above quoted provision? Can such reasons as the following, which are pleaded by Colgate for the use of the mark ‘Klarein’, be considered to be justifiable: the fact that the mark, because or the mental association emanating from it (klaar means quick, ready; rein means clean), is suited for the goods for which it was chosen (cleanser); the fact that the mark was used for such goods outside of the Netherlands by the firm to which the user belongs much earlier than the mark which is sought to be protected was used, by the owner of the mark for its goods; the fact that the user of the attacked mark used the mark in the Netherlands during the sixties for goods (soap pads) which are similar to those for which the mark was selected now?

**Reasoning:**

By its preliminary question of 14 June 1974 the Dutch Supreme Court presented a number of questions pursuant to Art 6(2) and (3) of the convention on the formation and rules of the Benelux Court concerning the construction of Art 3A(1) at the beginning, and No 2 of the Uniform Benelux Trademark Act.

**As to Question 1:**

Whereas the owner of a mark may under Art 13A(1), No 1 oppose any use of the same or a similar mark for the goods the mark is registered for or for similar goods the owner of the mark may under the provisions in No 2 also oppose any other commercial use of the same or a similar mark without justifiable reasons, if the owner of the mark can be damaged by such use.

The wording of the above provision does not support the assumption that in order to apply No 2 it must be shown that there is an interference with the
distinctiveness of the mark which is sought to be protected by this ‘other use’ or that a risk of confusion as to the source of the goods is created in the public or that the notoriety of the mark is improperly exploited. According to the wording of the law, the powers of the owner of the mark to oppose use of the same or a similar mark as there described are conditioned only upon a showing that this use actually takes place:

(a) without justifiable reason;
(b) commercially;
(c) under such conditions that the owner of the mark can be damaged.

For a narrower construction of the provision than is indicated by the wording of Art 13A(1)(2), Colgate relies upon Art 1 of the Law which defines individual marks as marks which serve to distinguish the goods of an enterprise. This approach is not well-founded, however. The fact that the legislature defined marks as distinguishing signs for goods does not mean that it intended to limit the scope of protection of the exclusive right which the owner of the mark acquires to the distinctiveness of the mark.

The commentary to Art 13 given by the governments in the official explanatory report to the Uniform Law yields a contrary result. According to the official explanatory report, the exclusive right of the owner of the mark is wider in range than under existing national laws. Since national laws were particularly geared to protect the distinctiveness of the mark and prevent risks of confusion, this can only be understood to mean that the scope of a mark’s protection under the new Uniform Law is more encompassing than would be necessary to protect it against interference with its distinctiveness and to prevent the risk of confusion in the public as to the source of the goods.

Nor can any justification be found either in the wording of the section, its reasoning or its purpose for limiting the scope of said provision to the mere protection of the mark against a use which improperly exploits the notoriety of the mark which is ought to be protected. Accordingly, the first question of the Supreme Court must be answered in the negative.

As to Question 2:

Among the benefits enjoyed by the owner of a mark, deriving from his exclusive right in the mark, can be included what was described in the second question of the Supreme Court as the mark’s capacity to stimulate the desire to buy the kind of goods for which it is registered.

This capacity may also be impaired if persons other than the owner use the same or a similar mark for other kinds of goods than those the mark is registered for. The interference may proceed from the fact that, having lost its exclusiveness, the mark no longer has the capacity to create an instant mental association in the public with the goods for which it is registered and used.

It is also possible, however, that the goods, to which this ‘other use’ of the same or a similar mark relates, appeal to sensations of the public in such a way that the attraction and the ‘capacity of the mark to stimulate the desire to buy’ the kind of goods for which it is registered are impaired.

In both instances the owner of the mark can be damaged by such ‘other use’. There is no reason why such damage should not fall under the damages
specified in Art 13A(1)(2) which may be inflicted upon the owner of the mark ‘by any other use’ of the same or a similar mark in commerce without justification. The wording of the article does not give rise to a construction which would exclude such detriments from the damages referred to in the article; nor is such a construction supported in any way by the official explanatory report which states that the judge should enjoy ‘broad powers to evaluate the facts which constitute true and unjustified interference with the rights in the mark’.

The second question of the Dutch Supreme Court, which asks the Benelux Court to state whether the damages which are referred to in the above-cited provision of the Law may consist exclusively or in part in a detriment of the above-described nature must, therefore, be answered in the affirmative.

As to Question 3:
Art 13 of the Law does not distinguish between ‘famous’ and ‘not famous’ marks. Nor does the official explanatory report or the purpose of the provision provides any basis for such a distinction in its construction. The distinction indicated in the question may, however, be of importance in answering the factual question whether in a given case it can actually be assumed that damages, consisting of an impairment to the ‘capacity of the mark to stimulate the desire to buy’, can be inflicted upon the owner of the mark as a result of ‘another use’ within the meaning of Art 13A(1)(2). As a rule, the existence of such capacity depends on the degree of the mark’s notoriety. This distinction is irrelevant, however, in construing the provision.

It follows that the question of whether, in answering the preceding questions, distinction must be made depending upon whether the mark which is sought to be protected is a ‘famous mark’ is to be answered in the negative. Accordingly this court does not have to concern itself with the question as to what requirement must be fulfilled in order that a mark be deemed a ‘famous mark’.

As to Question 4:
At the outset, in answering this question, it must be stated on the one hand that it is impossible to answer in the abstract the question as to the standards for determining the existence or non-existence of a ‘justifiable reason’ in the above sense, whereas on the other hand, the function of the Benelux Court which is limited to the interpretation of legal rules does not permit it to decide the question for a specific case.

The court will therefore limit itself to an examination of the question whether if someone other than the owner of the mark uses a similar mark for a kind of goods other than that for which the mark is registered under such circumstances that the owner of the mark can be damaged by such ‘other use’ because the mark’s ‘capacity to stimulate the desire to buy’ is impaired. In regard to this ‘other use’ the following circumstances may be considered to be ‘justifiable reasons’: the fact that the mark is especially suited for the goods for which it is used and/or that this mark had already been used in the past by the user or by the firm to which the user belongs for the same or similar goods within the Benelux territory and/or somewhere else.
In the oral argument in support of its position for an affirmative answer to this question, Colgate contended that a justifiable reason exists when the user of the same or similar mark has a just interest in such use.

We cannot agree with this, however. Because of the very nature of the ‘exclusive right’ which an individual mark enjoys under the law and the scope of protection granted to it under Art 13 of the Law, it follows that the owner of the mark may, as a rule, oppose the commercial use of the same or a similar mark by someone else under circumstances which could damage the owner of the mark and that a different connotation arises only when such use can be justified by special circumstances which alter its basically illegal character.

What this requires, as a rule, is that the user (of the mark) is under such a compulsion to use this very mark that he cannot honestly be asked to refrain from doing so regardless of the damages the owner of the mark would suffer from such use, or that the user is entitled to the use of the mark in his own right and does not have to yield this right to that of the owner of the mark in the application of Art 13A(1)(2).

The fact that the similar mark is particularly suited for the goods for which it is used and/or that this mark has already been used in the past by the user or by the firm to which the user belongs for the same or similar goods within the Benelux territory and/or somewhere else does not fulfil this requirement and thus cannot and of itself and without more constitute such a justifiable reason.

Colgate further claimed during the proceedings at the Benelux Court that it possesses a right of its own to use the mark ‘Klarein’ for its cleanser because of the deposit of this mark with the Benelux Trademark Office. However, neither the statement of facts given by the Dutch Supreme Court on which the present litigation is based, nor the questions submitted by the Supreme Court to this court indicate that Colgate claimed a right of its own in the mark ‘Klarein’ based upon a deposit with the Benelux Trademark Office. Nevertheless, this court will make the following remarks to this question: no general answer can be given to the question whether the owner of the same or a similar mark may successfully claim against the opposition: the owner of a mark to another use within the meaning of Art 13A(1), at the beginning, and No 2, that his deposit of such mark constitutes a ‘justifiable reason’ for using it as a mark for his own dissimilar goods. An affirmative answer to this question may be warranted if the user can assert an older right than that of the exponent, on the other hand, a negative answer to this question may be warranted the right which the user claims is based on a deposit subsequent to that of the owner of the mark who opposes its use, and it already being foreseeable at the time of such deposit that the owner of the earlier registered mark may be damaged by use of the subsequently deposited mark even if it concerns different, dissimilar material.

In all other respects, the question whether the right of the user must yield the right of the opposing owner of a mark based on the frequently cited provision to be resolved by the trial judge according to the particular facts of each case.

In this connection, aside from the sequence of the deposits in issue, account must be taken of the type and magnitude of the damages claimed by the owner of the mark, as compared to the interests which the user has at stake in the use of the same or a similar mark.
The fourth question of the Dutch Supreme Court pertaining to the application of Art 13A(1) at the beginning, and No 2 of the Uniform Benelux Trademark Act, must, therefore, be answered as follows: if a mark or a similar mark is commercially used by someone other than its owner for a kind of goods other than those for which the mark is registered, under such circumstances that the owner of the mark can be damaged, the fact that the same or a similar mark is especially suited for the goods for which it is used by the other, and/or that it had already been used in the past by the user or by the firm to which the user belongs for the same or similar goods within the Benelux territory or somewhere else cannot be deemed in and of itself and without more to constitute a ‘justifiable reason’ within the meaning of this provision.

(The court) holds to be the law:

1. Under Art 13A(1) at the beginning, and No 2 of the Uniform Benelux Trademark Act, the powers of the owner of the mark to oppose the use of the mark or a similar mark for a kind of goods other than those for which the mark is registered is not dependent upon showing:
   a. that by such use the distinctiveness of the mark which is sought to be protected is interfered with;
   b. that such use creates a risk of confusion in the public as to the source of the good or that the notoriety of the mark, which is sought to be protected, is improperly exploited.

2. The damages referred to in the aforesaid provision may consist exclusively or in part in the fact that by the use of the same or a similar mark for a kind of goods other than those for which the mark is registered, the appeal of the mark for the latter kind of goods is diminished because the other kind of goods – even if it does not per se appeal to the sensations of the public in a negative way – does appeal to their sensations in such a way that the mark’s capacity to stimulate the desire to buy is impaired with respect to the kind of goods for which it is registered.

3. In applying the principles stated under 1 and 2 it is immaterial whether the mark which is sought to be protected is a ‘famous mark’ or not.

4. If the same or a similar mark is commercially used by someone other than it’s owner for a kind of goods other than those for which the mark is registered, under such circumstances that the owner of the mark can be damaged, the fact that the same or a similar mark is particularly suited for the goods for which it is used by the other and/or that it had already been used in the past by the user or the firm to which the user belongs for the same or similar goods within the Benelux territory or somewhere else, cannot in and of itself and without more constitute a ‘justifiable reason’ within the meaning of the aforesaid provision.

Look-alike products

The problem of look-alike products became significant shortly before the passage of the new law. Despite energetic lobbying, brand owners were unable to obtain an amendment to the Act to protect their position. They are
left with the extended scope of registration under the new Act and the law of passing off.

‘Use’

Section 10(4) tells us what the Act means when it refers to use of a trademark, amounting to infringements if done without authority. The list in the subsection is not exhaustive. It includes:

- affixing a mark to goods or their packaging;
- offering or exposing goods for sale, putting them on the market or stocking them under the sign, or offering or supplying services under the sign.

The wording is largely taken from Article 5 of the directive, though the words ‘or exposing’ do not appear there. English law gives a restricted meaning to ‘offering the goods’, implying an actual offer: using the words of the directive might not therefore catch merely displaying (or ‘exposing’) the goods in a shop window, for example.

The wording used in the Act is also designed to catch the situation where a trader adopts the name of another as the name of a shop, selling the good for which the mark is registered. Under the 1938 Act the infringing user could have argued that this was not ‘use’ since it was not use upon or in physical relation to the goods.

Importing and exporting

Importing and exporting goods under the sign is also ‘use’ for the purposes of the Act. Section 31 of the old Act covered exporting: whatever would be use of the trademark if done with goods or services supplied in the UK will be an infringement if the goods or services to which the mark is applied in the UK are to be supplied abroad.

Importing infringing goods infringes the proprietor’s rights even before the goods are placed on the market. Action can therefore be taken immediately the goods enter the country. Customs and Excise may also be given notice to treat goods bearing infringing trademarks as prohibited goods (s 89 and EC Council Regulation 3842/86).

Use of a trademark on business papers or advertising material is also caught by the Act. This provision is aimed at use of the mark to describe the goods of the person using the mark, not in comparative advertising (where the mark is used to identify the proprietor’s goods), a situation covered by s 10(6).
Liability of printers, etc

Anyone applying a registered trademark to labelling or packaging materials, business papers or advertisements for goods or services may be treated as a party to any use of the material which infringes the rights of the proprietor. There is a requirement here that at the time of applying the mark the printer, etc, knew or had reason to believe that the application of the mark was not authorised by the owner of the mark or a licensee.

This provision is aimed at printers and others who print or otherwise deal in labels or packaging bearing a trademark with the intention that they be used on infringing goods.

Non-visual use

The 1938 Act took a narrow view of what could be an infringing use. It required that such use be a visual representation of the mark: spoken use, in a television advertisement or by a seller, was not an infringement.

Now, non-visual use of a trademark is included within the definition of ‘use’ in s 103.

Permitted use

Comparative advertising

Comparative advertising is use of the proprietor’s mark to identify proprietor’s goods for the purposes of comparison. It may amount to infringement if confusion is caused. Comparative advertising may also be actionable for passing off (MacDonalds v Burger King [1986] FSR 45).

Comparative advertising is covered by Article 5(5) of the directive, which states:

[Article 5] shall not affect any provision in any Member State relating to the protection against the use of a sign other than for the purposes of distinguishing goods or services, where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark.

The government considered that this entitled the UK to provide that comparative advertising should be an infringement. Nevertheless, the fact is that Article 5(1) and (2) make no mention of comparative advertising as a form of infringement, though on the other hand they could be considered to come within the definition of infringement without having to be mentioned expressly.

Section 10(6) provides that the use of a registered trademark to identify goods or services as those of the proprietor or licensee will never be an infringement. However, any such use must be ‘in accordance with’ honest
industrial or commercial practices: this wording is taken from Article 10 bis of the Paris Convention, where it is intended to define what amounts to fair competition:

(2) Any act of competition contrary to honest practices in industrial or commercial matters constitutes an act of unfair competition.

If it is not, it is treated as being an infringement: but only if without due cause it takes unfair advantage of the distinctive character or repute of the mark.

(6) Nothing in the preceding provisions of this section shall be construed as preventing the use of a registered trademark 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 trademark if the use without due cause takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trademark.

The first leg of this two-part proviso is an addition to the provision of the directive. It is also difficult to predict how it will be applied: will it be industry-specific, in which case its application in the motor industry will be different form that in other sectors?

Moreover, comparative advertising takes a number of forms, ranging from price comparisons to ‘knocking copy’ (News Group Newspapers Ltd v Mirror Group Newspapers (1986) Ltd [1989] FSR 126) and advertisements which describe goods by referring to their similarities with other manufacturers’ goods (Chanel Ltd v Triton Packaging Ltd [1993] RPC 32).

This provision replaces s 4(1)(b) of the 1938 Act, which was enacted to curb comparative advertising. The issue of comparative advertising is also addressed by a draft EC directive which prohibits use of trademarks in comparative advertising except where necessary to identify the compared goods or services, provided the comparison does not extend to the competitor’s person or circumstances and where justification can be produced within 24 hours.

This is intended expressly to permit comparative advertising in certain circumstances:

the advertisements must not be misleading;
there must be no confusion between the goods of the advertiser and those of the competitor; and
the advertisements must not ‘discredit denigrate or bring contempt on a competitor or his trademarks ... or capitalise on the value of a trademark ... of a competitor’.

These limitations are already imposed by the British Code of Advertising Practice, but even though the changes will therefore have little impact in practice, nevertheless s 4(1)(b) of the 1938 Act would have had to be repealed.
It would be inconsistent with the comparative advertising directive to make all comparative advertising an infringement, so s 10(6) is designed to meet the requirements of that directive. This explains its departure from the wording of the trademarks directive: if it had stuck to the provisions of Article 5(5), it would have had the result of prohibiting all comparative advertising, as in the Benelux, subject only to the interpretation placed by the courts on the words ‘without due cause’. These will probably be taken to require necessity or prior right, and the exception would be extremely narrow.

The High Court (Laddie J) considered the meaning of the subsection in Barclays Bank plc v RBS Advanta (1996) Times, 8 February. The following is the author’s note of that case which appeared in (1996) 2 SLR:

**Facts**

The defendants circulated marketing literature to promote a new credit card they were launching. It referred to the services offered by a number of their competitors, including Barclaycard. The plaintiffs argued that the defendants’ card would get an unfair advantage in the marketplace as a result.

The defendants’ mailshot included a table comparing their annual fee, annualised percentage interest rate, and monthly interest rate with those of six competitors. That table, and another in the mailshot, referred to Barclaycard.

**Held**

Section 10(6) of the Trademarks Act 1994 is designed to permit comparative advertising. It provides:

> Nothing in ... this section shall be construed as preventing the use of a registered trademark by any person for the purpose of identifying the goods or services as those of the proprietor or a licensee.

The drafting of the subsection was roundly condemned by both counsel and by the judge. It combined ‘home grown’ material with wording from the Paris Convention, by way of the EC Trademarks Directive.

Section 11(2) of the 1994 Act also had to be taken into account. It provides that:

A registered trademark is not infringed by:

(a) the use by a person of his own name and address;

(b) the use of indications concerning the kind, quality, quantity, intended purpose, value, geographical origin, the time of production of goods or the rendering of services, or other characteristics of goods or services; or

(c) the use of the trademark where it is necessary to indicate the intended purpose of a product or service ... provided the use is in accordance with honest practices in industrial or commercial matters.

The primary purpose of s 10(6) was to permit comparative advertising, so long as the use of the competitor’s mark was considered honest by members of a reasonable audience. Honesty was to be judged against what was reasonably to be expected by the relevant public of advertisements for that kind of goods or services. His Lordship considered that, read fairly, all the defendants’
material did was convey their belief that their card gave customers a better deal. It dealt with detailed matters, but that made no difference to the judge’s view.

Comments

The legislation is certainly unclear in many areas. Parliament spent more time on the provisions relating to comparative advertising than almost anything, yet the government’s insistence that the Act should slavishly follow the wording of the directive prevailed.

Further complications arise from the fact that at the time of passage of the Act there was draft EC legislation specifically on comparative advertising. The UK government was concerned to ensure that comparative advertising remained possible, and this it thought it had achieved in the Act.

Whether the use of a competitor’s trademark will be actionable depends to a certain extent on the practices of the industry concerned. In the motor industry, for example, comparative advertising is so widespread that it is unlikely to be actionable without exceptional circumstances being present. Mr Justice Laddie’s approach preserves this situation, and appears to make the best of a bad job.

Other limits on effect of registered trademark

There are further limits to the rights given by a registration in s 11.

A registered trademark is not infringed by the use of another registered trademark on goods or services for which it (the second mark) is registered. This situation should not arise very often, since the point of the pre-grant search is to avoid such conflicts arising; however, when the searching arrangements are changed, as they will be at some point, this will become a more important issue. If the situation is encountered, it would probably be one in which an action for a declaration of invalidity of the registration would be appropriate.

Certain signs, used according to honest practices in industrial and commercial matters, will not infringe rights in registered trademarks. Section 11(2) sets them out:

(1) Own name and address (re-enacting in part s 8 of the 1938 Act). The old provision was given a surprisingly wide interpretation by Mr Justice Laddie in *Mercury Communications Ltd v Mercury Interactive Ltd* [1995] FSR:

The law

One of the leading authorities in this area of law is *Baume and Co Ltd v A H Moore Ltd* [1957] RPC 459 (High Court) and [1958] RPC 226 (Court of Appeal). In that case the plaintiff had registered the trademark BAUME for its watches. These were made for it in Switzerland. It had sold watches in England under that mark for about 100 years. The defendant imported from Switzerland and sold in England watches from a different Swiss manufacturer, Baume et Mercier, Société Anonyme, which bore the mark BAUME & MERCIER, GENEVA. There was no suggestion that the adoption of the BAUME &
MERCIER name by the Swiss manufacturer was in any way improper or that the importation by the defendant was for an improper motive. It was alleged that the importation and sale of those watches by Moore Ltd constituted both passing off and registered trademark infringement. In the High Court, Dankwerts J only considered in any detail the issue of infringement. He appears to have decided that whether or not there was passing off would inevitably follow the decision on trademark infringement (see [1957] RPC at p 461 lines 5–8). He held that the defendant was protected by the provisions of subsection 8(a) of the Act and the claim for infringement failed. As a consequence he also found against the plaintiff in respect of passing off. The Court of Appeal considered that the issue of passing off was not so easily disposed of. It held that there was passing off but upheld Dankwerts J in relation to trademark infringements. The Baume case addresses a number of the significant points of trademark law which arise for decision on this application.

When considering the arguments on this application, it is necessary to bear in mind the purpose of subsection 8(a). It is excluding from the ambit of the monopoly conferred by trademark registration certain acts which otherwise would amount to infringements. In particular, use of the name by the defendant as a trademark is excluded from infringement so long is it is bona fide and otherwise meets the requirements of the subsection. This was clearly the view of Dankwerts J at first instance (see [1957] RPC at p 461 line 51 to p 464 at line 12). The view of the Court of Appeal is similarly clear:

Section 8(a) is expressed in perfectly general terms, and we can see no sufficient warrant for confining its operation to the bona fide use by a trader of his own name as a trade name as distinct from using it as a trademark. We do not accept Mr Aldous’s suggestion that s 8 (the provisions of which were enacted in a somewhat narrower form by s 44 of the Trade Marks Act 1905) was introduced merely ex abundanti cautela. It seems to us that its object was to ensure that the use by a man of his own name should be protected, provided that the user was bona fide, whether he traded under that name or whether he used it as a trademark in respect of his goods; and, if the narrower interpretation for which Mr Aldous contends is attributed to the section, it is difficult to apprehend the purpose of Parliament in enacting it at all. ([1958] RPC p 235 line 16 et seq.)

This should be borne in mind when considering the Court of Appeal view that s 8(a) should be given a broad scope (see [1958] RPC p 236 line 5). It follows that once a defendant comes within the subsection he can openly and persistently use his name as a trademark on the same type of goods as the registered proprietor and the latter cannot complain. More precisely, as the Court of Appeal stated:

In our judgment, if a trader is honestly using his own name, then no action will lie for infringement of trademark and any rival trader who thinks himself aggrieved must sue, if at all, for passing off. ([1958] RPC p 235 line 45 et seq.)

It may be thought that this is too serious an inroad into a proprietor’s rights but the proprietor will only be disadvantaged where he has no common law
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rights which he can enforce against the defendant. In other words, in the majority of cases the registered proprietor of a mark will only notice the loss of his right to use his registration against a rival when that rival is not causing him damage in the marketplace. I have no reason to believe that Parliament considered this restriction on the proprietor’s rights to be undesirable.

In the light of this, no objection can be taken to the three logos simply on the basis that they are being used as trademarks.

Three arguments were advanced by Mr Silverleaf for saying that all of the uses of which his client complains are not protected by the subsection. These are (a) that the use is not _bona fide_, (b) that the word MERCURY alone is not the name of the defendant, its parent or the group as a whole, and (c) in relation to the logos the words INTERACTIVE (UK) LTD, INTERACTIVE and INTERACTIVE CORPORATION are so small that they should be ignored. In effect, each logo is no more than the use of the word MERCURY alone. I shall consider each of these in turn.

**Bona fide use**

Mr Silverleaf argued that whether a defendant’s use of a mark is _bona fide_ must be tested objectively. He argued that the court must test the defendant’s actions against those to be expected of a reasonable trader in its place. Such a trader would have carried out trademark searches. If the results of such searches would have warned the reasonable trader that there were trademark problems, then the defendant cannot say that he is acting _bona fide_. He said that the defendant could not be better off by turning a blind eye to the possibility of a competitor having a registered mark. He said that the Act has not provided a defence to protect the careless. Applying that approach to this case he said that the defendant was not acting _bona fide_ because it had not carried out any trademark searches in the UK. If it had done so it would inevitably have found the plaintiff’s registration. If it had known of that registration, it would have been apparent that use of the logos and the word MERCURY in the text of its advertising would constitute infringement. He invites me to decide, pursuant to the provisions of Ord 14A that the test is objective and then find in his favour on this point.

Mr Miller, who appeared for the defendant, says that the test is subjective. He says that the court must look at the defendant’s actions and decide whether it has been honest. As applied to this case he says that it will be necessary to test at the trial the knowledge and behaviour of the defendant and the parent in choosing the name MERCURY and deciding to use it in the UK. If that is so, he says, this is not a matter which is suitable for summary judgment. In fact he goes further and says that, tested subjectively, there is no real attack on the defendant’s _bona fides_ here. So, is _bona fide_ in the subsection to be assessed objectively or subjectively?

At first instance in _Baume_, Dankwerts J said:

> I think I understand what ‘_bona fide_’ normally means: it means the honest use by the person of his own name, without any intention to make use of the goodwill which has been acquired by another trader. ([1957] RPC p 463 at line 38 _et seq._)
This view was not obiter. It was central to his decision that there had been no infringement of the trademark registration. As I have already mentioned, the Court of Appeal reversed Dankwerts J on the issue of passing off. Romer LJ stated that, because the plaintiff was protected by the passing off injunction it was strictly irrelevant to consider or adjudicate upon the trademark arguments. Nevertheless the Court of Appeal thought it appropriate, in view of the arguments addressed to it by counsel, to express its ‘provisional views’ on them. Dankwerts J’s views as to the meaning of ‘bona fide’ in the subsection were supported and Romer LJ went on to say:

We agree with the learned judges definition of the term ‘bona fide’ and we see no reason to attribute a different or special meaning to the phrase in its context in s 8. The mere fact in itself that a trader is using his own name which too closely resembles a registered trade name of which he is aware does not prevent the user from being ‘bona fide’, provided that the trader honestly thought that no confusion would arise, and if he had no intention of wrongfully diverting business to himself by using the name. The truth is that a man is either honest or dishonest in his motives; there is no such thing, so far as we are aware, as constructive dishonesty. In our judgment, if a trader is honestly using his own name, then no action will lie for infringement of trademark. ([1958] RPC p 235 line 36 et seq.)

This view of the section was cited with approval by Lord Denning in the House of Lords in Parker-Knoll Limited v Knoll International Ltd [1962] RPC p 265. He said:

And ‘bona fide’ means what it says. It means honestly in good faith. So that the section means that it is no infringement for any person honestly to use his own name, in relation to his goods, so long as he has no intention to deceive anybody and no intention to make use of the goodwill which has been acquired by another trader. (p 275 line 20 et seq.)

As against this, Mr Silverleaf drew my attention to an obiter dictum of Aldous J, as he then was, in Provident Financial Plc v Halifax Building Society [1994] FSR 81 where at 93, after citing from the decision of the Court of Appeal in Baume and agreeing that the test for bona fides as there set out was subjective, stated that he had always found it difficult to believe that it was the correct test.

In the light of the decision in Baume, I do not believe it would be right for me to say that the test for bona fides under the subsection is objective. But even were I free to, I would not do so. If the test is objective, it is difficult to see what would be the point in having the subsection. In the overwhelming majority of cases a reasonably careful trader will be assumed to have carried out a registered trademark search. In virtually all cases he would find the registered trademark which, ex hypothesi, he would realise or suspect interfered with his right to use his own name. That clearly would have been the position in both the Baume and the Parker-Knoll cases, in both of which the s 8(a) defence succeeded.

It is said that a subjective test would allow a new but careless trader to enter the market and trade off an established mark. In my view there is a fallacy in this argument. In cases where the proprietor has a well-established mark and the defendant invades his market innocently under the cover of the subsection, that does not allow the defendant to trade off the proprietor’s goodwill. On the
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contrary, where damage in the marketplace is likely to occur, the proprietor of
the registered trademark will be able to use his common law rights to restrain
the defendant – just as happened in Baume and in Parker-Knoll. The fear that a
new company could be set up innocently using the trademark of some other
well-known product and then use the subsection to allow it to trade under that
mark is, it seems to me, unreal. The true position is that the subsection is only
likely to be of benefit to a defendant when he is not guilty of passing off.

In my view, the legislative intent behind the subsection is clear. A registered
trademark gives a statutory monopoly to its proprietor but for public policy
reasons (the justification for which is not open to the court to challenge) that
shall not be effective against a trader who innocently trades under his own
name. It can be seen that s 8(a) and (b) fit together. When a trader innocently
uses his own name or a description of his own products, he does not need to
look over his shoulder to make sure that a registered trademark is not in the
way, unless, of course, he has been warned in advance. He may fall foul of
passing off, but that is another matter.

For these reasons, I hold that the defendant has an arguable defence that its use
of the various logos and text referred to above was bona fide. However, even if
the defendant has an arguable case that it adopted and used the name and
logos for the UK innocently, it does not avoid summary judgment unless it can
also be said that there is an arguable case that the words used are the
defendant’s or its parent’s ‘name’. I turn to this issue.

What is a name?
The defence under s 8(a) applies, inter alia, when what the defendant is doing
amounts to ‘use by a person of his own name’.

There is a sharp difference between the parties as to what is a ‘name’ for these
purposes. Mr Miller suggests that it covers any appellation by which a person
is usually known. Mr Silverleaf, on the other hand, makes two points. First he
says that where the person is a company, the name is the full corporate title
subject to the right to leave off the ‘plc’ or the ‘Limited’ at the end. He says that
this omission is permissible because they are not really part of the name of the
company but are merely designations of legal status under English law. He
was not prepared to concede, at least at this stage, that goods derived from an
American source could use the name of the American manufacturer omitting
the words ‘corporation’ or ‘corp’. In support of his submission he relies on part
of the speech of Lord Denning in Parker-Knoll to which I will refer below. It
follows that neither the Universal logo nor the American logo would be treated
as the name of the defendant or its parent. Similarly, the use of the word
MERCURY alone in the text of advertisements would not be treated as a name
for the purposes of the subsection. I should mention that he also submitted that
if I were to hold that use of the word MERCURY alone is not protected by the
subsection but that it is arguable that the word as used in the logos is
protected, then I should grant a permanent injunction now to restrain use of
the former and leave the issues relating to the latter to be decided at the full
trial.

In addressing this argument, I think it would be useful to consider the impact
of s 8(a) on an individual. A name is ‘that by which a person or a thing is
known or called’ (*Chambers 20th century Dictionary*). An individual may be christened John Smith and that may well be the, or a, name by which he is known or called. But he may also be known as John or Johnny or Mr Smith. All of these are his names. Furthermore the actor born as Archie Leech was known and called Cary Grant and the author Samuel Clemens was known as Mark Twain. In each case the adopted name was no less the individual’s name. In my view it would make no sense to allow a modern day Archie Leech to trade under that name and use s 8(a) as a defence to proceedings for infringement of the registered trademark ‘LEECH’ but not allow him to trade under the name by which he is usually known, ie Cary Grant and use the subsection as a defence to proceedings for infringement of the registered trademark ‘GRANT’. He should be allowed at least to trade under the name by which he is usually known without looking over his shoulder to see if he is to be sued for infringement. It is difficult to see what purpose would be served by merely allowing a man to trade under the name set out on his birth certificate but not the name by which he is actually known. There is some support for this view to be found in *Baume* in which Dankwerts J extended the s 8(a) defence to BAUME & MERCIER without the word ‘Limited’ or ‘SA’ because it was well known

... that companies’ names are very commonly used without the addition of the word ‘Limited’, and I should imagine the same is true of a company incorporated in Switzerland, where you would be likely to refer to it simply as ‘Baume et Mercier’... ([1957] RPC p 461 line 53 et seq.)

Similarly in *Parker-Knoll Ltd v Knoll International Ltd* [1962] RPC 265 Lord Denning said at 275 line 36: ‘The user which is protected is the honest user of a man’s ordinary name – the name by which he is usually known’.

If this is right, then what is the position of an infringer which is a company? The Trade Marks Act 1938 draws no distinction between companies and individuals. Both can take advantage of the defence provided by s 8(a). I would therefore incline to the view that if a company is generally known by a name and uses that as its trademark, it has a defence under the subsection even if that name is not its registered corporate title. As *Kerly’s Law of Trademark* (12th edn) says at 307:

... there would seem no adequate reason for refusing protection to the accepted name of an established business. Presumably it is a question of fact by what name a business is known.

If that is right and the defendant can prove that it or its parent company are known as MERCURY, then it will have a defence to the action in respect of all uses made of that word. If that is the case, then the plaintiff’s application for summary judgment must fail. Furthermore, if it is proved that the defendant or its parent is known as MERCURY INTERACTIVE, then the defendant has a potential defence in relation to the use of the Universal logo.

As I have said, Mr Silverleaf concedes that it is permissible to drop the ‘Limited’ or ‘plc’ at the end of a corporate name but that no further abbreviation is possible. He has to make this concession because in the Court of Appeal and House of Lords in *Parker-Knoll* the defendant, Knoll International Limited, was allowed under s 8(a) to use the name Knoll
Mr Silverleaf’s explanation for allowing the dropping of ‘Limited’ or ‘plc’ is attractive and provides a neat rule of thumb. However it has little to do with how the company is known to its customers. Furthermore, on analysis it is arbitrary. If a company is well known as ‘X’ whereas its formal title is ‘X (Trading) Ltd’, why should it be permissible to leave off the ‘Limited’ but not the ‘(Trading)’? The only explanation offered in the House of Lords in the Parker-Knoll case is that supplied by Lord Denning as follows at 275 line 32 et seq:

The protection [under s 8(a)] extends to the defendants’ use of their own name, ‘Knoll International Limited’, and also to the natural abbreviation of it to ‘Knoll International’ omitting the word ‘Limited’. But I would not extend the protection so as to authorise the further abbreviation to ‘Knoll’ alone without the word ‘International’. The user which is protected is the honest user of a man’s ordinary name – the name by which he is usually known. A further abbreviation, which reduces it to less than his ordinary name, is not protected if the likelihood of confusion is thereby increased.

If the principle is that the reduction from Knoll International to Knoll was a reduction to ‘less than its ordinary name’ then, of course, Knoll was not on the facts the, or one of the, usual names of the defendant company and could not take the benefit of s 8(a). The reference to the protection being removed from Knoll simplitciter ‘if the likelihood of confusion is thereby increased’ is difficult to follow. If the word ‘Knoll’ alone was not the name of the defendant company it was not protected by s 8(a) whether or not it was more confusing than Knoll International. Similarly, if, contrary to the facts, Knoll alone was the name of the company it should have obtained protection under the subsection – once again whether confusion was more or less likely.

It follows from the above that the defendant in these proceedings may well have a defence if it can prove that the name is the usual name by which it or its products are known in the marketplace. This is a question of fact which cannot be resolved on an application for summary judgment. For completeness I should add that Baume makes it clear that just as an English company can choose to leave off the ‘Limited’ or ‘plc’ from the end of its corporate title, so too it is permissible for a foreign company to leave off the equivalent foreign designation. Thus in Baume the name of the Swiss manufacturer of the defendant’s watches could be used without the final ‘SA’. Similarly goods from an American source can use the American corporate name (assuming bona fides) without the endings ‘Corporation’ or ‘Corp’. Therefore, subject to Mr Silverleaf’s second argument under this head, to which I will turn shortly, the defendant can use the US logo which contains the whole name of its parent company and the Universal logo in which only the word ‘Corporation’ has been omitted.

Mr Silverleaf’s second argument is that if the use by the defendant of MERCURY INTERACTIVE is protected by the subsection but MERCURY alone is not then the three logos are infringements. He says that the relative
size and design prominence of the word MERCURY in each of the logos as compared to the rest of the words used is so great that to the average customer it is only the word MERCURY which makes any impact. If that is so then the use of the logos is equivalent to the use of the word MERCURY alone. I agree with Mr Silverleaf that this may be the view adopted by the court at the trial. However, this also is an issue of fact which cannot be resolved at this stage of the proceedings.

For these reasons I hold that the defendant has an arguable defence on the grounds of non-infringement and, on those grounds alone, I would be prepared to dismiss this application.

...  

Invalidity of the plaintiff’s registration

There were three grounds of invalidity raised. First it was said that the plaintiff’s mark was bad for non-use or, more precisely, that because it was not and had never been intended to be used in relation to large areas of the specification of goods for which it is registered, the mark should be removed from the register or the specification of goods amended down to the goods in respect of which the plaintiff has used the mark. Needless to say the defendant argues that the specification of goods, if so amended, will not cover the type of products which it sells. The second argument is that in relation to most of the goods covered by the specification the plaintiff never had an intention to use the mark and that for this reason, at least in relation to those goods, it is not the proprietor of the mark. I think that Mr Miller accepted that this was simply an alternative legal peg upon which to hang the first argument. I think it adds nothing of significance to the defendant’s case and I will not consider it further. The third argument is based on the assertion that there are a number of other traders who were trading under or by reference to the mark MERCURY in relation to computers and software prior to the date of registration of the plaintiff’s mark. Therefore, it is said, the plaintiff’s mark offended against s 11 of the 1938 Act at the date of application and should be removed from the register on that ground. The material adduced in support of this argument on this application is so thin that I would not on this ground refuse the plaintiff summary judgment if I were otherwise inclined to grant it. The real argument of substance is, therefore, the first one.

Width of registration

The power and value of a registered trademark is not always appreciated. If [a plaintiff] brings passing off proceedings he has to prove the existence of a reputation in his mark with potential customers. In the majority of cases this means that his common law rights will wither and disappear unless he continues to market and advertise his goods under the mark. Furthermore his rights are only breached if there is, or is likely to be, confusion in the marketplace which will cause him substantial damage. This should be contrasted with the rights acquired by a proprietor who registers a mark. His registration gives him a true monopoly. Subject to certain statutory defences, the proprietor will be able to restrain any trader who uses the same or a sufficiently similar mark on the goods covered by the registration. This is so even if, in the marketplace, no confusion is being caused. Indeed he will be
able to sue for infringement even if he is not using his own registered trademark (subject to it being removed if prolonged non-use is proved). Furthermore, with little effort any competently advised proprietor will be able to keep his registration in force indefinitely. It will be appreciated therefore that a trademark registered for too wide a specification of goods may have the effect of giving the proprietor an indefinite monopoly over goods which are quite unrelated to his real trading interests. At the heart of the defendant’s submissions on non-use is the argument that this should not be allowed and that in this case the plaintiff’s registration is far too wide. Mr Silverleaf did not dispute that if a registration covers too wide a specification of goods it is possible to attack it and effectively force the proprietor to restrict down to a narrower group of products. He says, however, that it is quite clear that there is nothing wrong with the registration here and that the non-use attack is bound to fail. Mr Miller says the opposite.

At the beginning of this judgment I set out the specification of goods in respect of which the plaintiff’s mark is registered. In fact the plaintiff only uses it and, I understand, only ever intended to use it in relation to its telecommunications business. The defendant argues that the registration, in so far as it covers computer software, should be restricted as follows: ‘All for use in or with telecommunications systems’.

The defendant argues that on its present wording, the plaintiff’s registration creates a monopoly in the mark (and confusingly similar marks) when used on an enormous and enormously diffuse range of products, including products in which the plaintiff can have no legitimate interest. In the course of argument I put to Mr Silverleaf that the registration of a mark for ‘computer software’ would cover any set of recorded digital instructions used to control any type of computer. It would cover not just the plaintiff’s type of products but games software, accounting software, software for designing genealogical tables, software used in the medical diagnostic field, software used for controlling the computers in satellites and the software used in the computers running the London Underground system. I think that in the end he accepted that some of these were so far removed from what his client marketed and had an interest in that perhaps a restriction on the scope of the registration to exclude some of the more esoteric products might be desirable. In any event, whether that was accepted or not, in my view there is a strong argument that a registration of a mark simply for ‘computer software’ will normally be too wide. In my view the defining characteristic of a piece of computer software is not the medium on which it is recorded, nor the fact that it controls a computer, nor the trade channels through which it passes but the function it performs. A piece of software which enables a computer to behave like a flight simulator is an entirely different product to software which, say, enables a computer to optically character read text or design a chemical factory. In my view it is thoroughly undesirable that a trader who is interested in one limited area of computer software should, by registration, obtain a statutory monopoly of indefinite duration covering all types of software, including those which are far removed from his own area of trading interest. If he does he runs the risk of his registration being attacked on the ground of non-use and being forced to amend down the specification of goods. I should make it clear that this
criticism applies to other wide specifications of goods obtained under the 1938 Act. I understand that similar wide specifications of goods may not be possible under the 1994 Act.

It follows that there are reasonable grounds upon which the defendant can attack the scope of the plaintiff’s registration.

Even so, Mr Silverleaf says that any restriction on his client’s registration will not help this defendant. He says that the defendant’s products are so close to those sold by the plaintiff that any conceivable narrowing of the specification of its mark will still cover the defendant’s software. I have already referred to the type of software which the plaintiff sells. It is all related to telecommunications. As mentioned above, the defendant’s software is for analysing other software or for testing and de-bugging computer systems and computer programs. Mr Miller points out that in the two years that the defendant has been in the market in the UK it has captured 25% of the market in its type of product and has sold about £1.5 million worth of software. In fact during the last two years, the defendant has distributed about 30,000 advertising leaflets each of which prominently referred to MERCURY INTERACTIVE. Nevertheless not a single instance of confusion has been recorded or even suggested by the plaintiff. The plaintiff argues that its and the defendant’s products will be used on the same type of computers, will be used in some cases by the same people and are distributed in the same format (that is to say on floppy disks). They are therefore too close to be distinguished.

As I have already indicated, there is a significant prospect of the defendant succeeding, through its non-use attack, in forcing the plaintiff to restrict the scope of its registration. Whether it will be able to force restriction to the extent necessary to exclude its own products from the remaining scope of the plaintiff’s registration will depend on the evidence adduced at the trial. I do not think it would be appropriate for me at this stage to say anything more than that it is certainly not impossible that the defendant will succeed on this issue. For this reason as well I am prepared to dismiss this application.

(2) Indications concerning the kind, quality, quantity, purpose, value, or geographical origin of goods or services; the time of production of goods or of rendering of services; or other characteristics of goods or services.

(3) Where it is necessary to use a registered trademark to indicate the intended purpose of a product or service. This provision re-enacts and extends s 4(3)(b) of the 1938 Act. A spare part for a motor car would be difficult to sell if the vehicle manufacturer could enjoin the part-maker from using the name of the car which it would fit. Likewise, service providers are allowed to use the name of the product even though it is a registered trademark – though those who are inclined to describe themselves as ‘specialists’, especially in repairing or servicing motor cars, are likely to find the manufacturer pursuing them on other grounds, such as passing off.
The rights of owners of earlier unregistered trademarks and other signs are protected by s 11(3) – but only to a very limited extent:

(3) A registered trademark is not infringed by the use in the course of trade in a particular locality of an earlier right which applies only in that locality.

For this purpose an ‘earlier right’ means an unregistered trademark or other sign continuously used in relation to goods or services by a person or a predecessor in title of his from a date prior to whichever is the earlier of:

(a) the use of the first-mentioned trademark in relation to those goods or services by the proprietor or a predecessor in title of his; or

(b) the registration of the first-mentioned trademark in respect of those goods or services in the name of the proprietor or a predecessor in title of his;

and an earlier right shall be regarded as applying in a locality if, or to the extent that, its use in that locality is protected by virtue of any rule of law (in particular, the law of passing off).

Section 5(4) protects the owners of earlier rights which confer the right to stop the use of a later trademark: the existence of those earlier rights is a bar to the registration of the later mark.

Section 11(3) protects rights which do not come within the ambit of that provision. It covers rights which apply only in a limited geographical area, which precludes the possibility of using s 5(4). In this instance (though not in the case of s 5(4)) ‘earlier right’ means a sign which has been continuously used by the owner or his or her predecessor in business. It ‘applies in ... [a] ... locality’ if it has sufficient goodwill there to be protectable by an action for passing off, a matter which presumably can only be determined with any confidence if it actually has been protected by such proceedings.

The earlier right will be protected under this subsection if it has been in continuous use since a date earlier than either:

(a) the first use for the good or services in question of the later mark; or

(b) its registration for those goods or services in the name of the proprietor or his or her predecessor in title.

The section differs somewhat from the wording of the directive. Article 6(2) provides:

The trademark shall not entitle the proprietor to prohibit a third party from using, in the course of trade, an earlier right which only applies in a particular locality if that right is recognised by the laws of the Member State in question and within the limits of the territory in which it is recognised.

The use of the words ‘locality’ and ‘territory’ raises the interesting point that a mark may be recognised in a wider geographical area (a ‘territory’) than that in which it applies.

In the Chelsea Man case (Chelsea Man Menswear Ltd v Chelsea Girl Ltd [1987] RPC 189 the plaintiffs were able to obtain a nationwide injunction restraining
the use of their mark despite the fact that the mark was used only on shops in London and Coventry. The mark was recognised over a much wider area.

The section in the Act does not give effect to the word ‘territory’. The government believed that the addition of the last eleven words of Article 6(2) was unnecessary. They qualify the expression ‘laws of the Member State’, not ‘particular locality’. In other words, it was a provision relevant to countries which provided for registration of a trademark at a local or municipal level but not for the UK.

**Exhaustion**

Section 12 provides that the rights of the owner of a registered trademark are exhausted once goods bearing the mark have been put on the market in the European Community by the owner of the mark or with their consent. Article 7 of the directive requires this, reflecting the jurisprudence of the Court of Justice under Article 36 of the Treaty of Rome:

1. The trademark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trademark by the proprietor or with his consent.

2. Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.

The section repeats the article almost verbatim.

The principle of exhaustion is also found in the 1938 Act, but in much narrower terms (ss 4(3)(a) and 6). The principle does not apply where the proprietor of the mark has legitimate reasons for opposing further dealings in the goods. This might be the case if the condition of the goods had changed or impaired after they had been placed on the market. This implements Article 7(2) of the directive and is consistent with the judgments of the Court of Justice mentioned above, concerning repackaging and other activities, though more broadly stated.

**Disclaimers and limitations**

13. **Registration subject to disclaimer or limitation**

   (1) An applicant for registration of a trademark, or the proprietor of a registered trademark, may:

   (a) disclaim any right to the exclusive use of any specified element of the trademark; or

   (b) agree that the rights conferred by the registration shall be subject to a specified territorial or other limitation;
and where the registration of a trademark is subject to a disclaimer or limitation, the rights conferred by s 9 (rights conferred by registered trademark) are restricted accordingly.

(2) Provision shall be made by rules as to the publication and entry in the register of a disclaimer or limitation.

The new Act reflects the provisions of ss 4(2) and 14 of the 1938 Act. Section 13 also replaces s 17(2) of the old Act, which dealt with conditions and limitations imposed by the Registrar.

An applicant for registration of a mark, or the proprietor of a registered trademark, may disclaim any right to the exclusive use of any specified element of the mark. This is likely to happen where there are doubts about the distinctiveness of an element of a mark: if either the applicant wishes to avoid the possibility of a dispute with a third party over the suitability of the mark for registration, or there is a threat of opposition proceedings or some other action against the mark, a disclaimer of the disputed element may be a way to resolve the problem.

Under the 1938 Act, the Registrar was given powers to require a disclaimer of matter considered to be non-distinctive. This power is not re-enacted in the 1994 legislation.

The section goes on to say that applicants may agree that their rights will be subject to specified territorial or other limitations. This will usually concern an area of the UK which the right covers, and overcome a conflict with an earlier right. This is a voluntary means for overcoming such conflicts, and ins agreed to by the parties rather than imposed by the Registrar.

The 1938 Act gave the Registrar the authority to impose territorial limitations, permitting both marks involved in a conflict to be registered: but the directive gives the proprietor of an earlier right the absolute right to prevent someone else from either using or registering a conflicting mark, so such limitations can only be accepted if voluntarily given.

Where a registration is subject to a disclaimer or limitations, the rights of the proprietor are accordingly restricted.

Disclaimers and limitations are entered on the register and published in the Trade Marks Journal.

APPLICATIONS FOR REGISTRATION

The application

The process of application for registration of a trademark is dealt with by a series of provisions starting with s 32. It provides for the application to be
made to the Registrar – that is, the Comptroller General of Patents, Designs and Trademarks. The application must be filed at the Patent Office, of which the Trade Marks Registry is a part.

The application has to contain certain matter set out in the Act:

- a request for registration of a trademark;
- information about the identity and address of the applicant;
- a statement of the goods and/or services for which the applicant wishes to register the mark; and
- a representation of the mark.

As far as the last of these is concerned, if the mark is just a word or words, not in a particular font, the word is all that has to be stated. If the mark contains pictorial matter, or the word or words is or are depicted in a particular font or script, a representation of the actual mark will be needed. If the mark is something else, such as the shape of the goods or their packaging, music or a smell, there must be a graphical representation of the mark: how this is achieved is up to the applicant.

The application must state that the mark is being used for the goods or services for which registration is sought. The use may be by the applicant, or by someone with the applicant’s consent. Alternatively, it suffices if the applicant has a *bona fide* intention of using the mark: no evidence of such intention needs to be provided, however.

This prevents speculative registration of trademarks, which would block the register for anyone seeking protection for a similar mark. There is no need for actual use to precede registration, so a business can register its trademarks as soon as it starts up (or even before).

The requirement is not onerous. The applicant merely has to state in the application that the mark is in use or that it has a *bona fide* intention of using it. No further details are needed. The form TM3 which must be completed by or on behalf of applicants takes care of this requirement.

This provision continues the effect of s 17(1) of the 1938 Act. However, the 1938 Act’s requirement that, where the use of the mark is to be by a company about to be set up or by a licensee, this must be indicated and details provided, has not been re-enacted.

The applicant is also required to pay the requisite fees. There is a basic application fee, set initially in 1994 at £225, plus additional class fees of £125 for multi-class applications, allowed for the first time. The pre-1994 application fee was £185, the increase being justified by the increase in the initial term of protection from seven to 10 years.
Date of filing

The date of filing of an application is important because it gives the applicant precedence over later applications. It is the date on which all the documents containing everything required by the Act have been presented to the Registrar. If they are filed on different dates, the key date will be the one on which the last was filed.

Clearly, rights may not begin earlier than the date on which the application is filed, identifying the applicant and giving that person’s address, specifying the goods or services for which registration is required and showing what the mark looks like.

Classification

Goods and services are classified for the purposes of registration of trademarks. Section 34 provides for this, although it does not say what classification is to be used: it will be the ‘prescribed’ one. The Registrar is given powers to decide on classification issues.

The classification system used under the 1938 Act is continued under the 1994 Act. Each of the countries which is party to the Nice Agreement concerning the International Classification of Goods and Services for the Purposes of the Registration of Trademarks of 15 June 1957, must apply the system and use it in official publications on trademarks.

The UK has used the Nice system, and its predecessor, since 1938, and the Community trademark system will use it too. It divides goods and services into 42 classes, and all goods and services are in one or another class. None should be in more than one.

Priority

35. Claim to priority of convention application

(1) A person who has duly filed an application for protection of a trademark in a convention country (a ‘convention application’), or his successor in title, has a right to priority, for the purposes of registering the same trademark under this Act for some or all of the same goods or services, for a period of six months from the date of filing of the first such application.

(2) If the application for registration under this Act is made within that six-month period:

(a) the relevant date for the purposes of establishing which rights take precedence shall be the date of filing of the first convention application; and
(b) the registrability of the trademark shall not be affected by any use of
the mark in the UK in the period between that date and the date of the
application under this Act.

(3) Any filing which in a convention country is equivalent to a regular
national filing, under its domestic legislation or an international
agreement, shall be treated as giving rise to the right of priority.
A ‘regular national filing’ means a filing which is adequate to establish the
date on which the application was filed in that country, whatever may be
the subsequent fate of the application.

(4) A subsequent application concerning the same subject as the first
convention application, filed in the same convention country, shall be
considered the first convention application (of which the filing date is the
starting date of the period of priority), if at the time of the subsequent
application:
(a) the previous application has been withdrawn, abandoned or refused,
without having been laid open to public inspection and without
leaving any rights outstanding; and
(b) it has not yet served as a basis for claiming a right of priority.
The previous application may not thereafter serve as a basis for claiming a
right of priority.

(5) Provision may be made by rules as to the manner of claiming a right to
priority on the basis of a convention application.

(6) A right to priority arising as a result of a convention application may be
assigned or otherwise transmitted, either with the application or
independently.
The reference in subsection (1) to the applicant’s ‘successor in title’ shall be
construed accordingly.

Section 35 deals with claims to priority under Article 4 of the Paris
Convention, which provides:

A.
(1) Any person who has duly filed an application for a patent, or for the
registration of a utility model, or of an industrial design, or of a trademark,
in one of the countries of the Union, or his successor in title, shall enjoy, for
the purpose of filing in the other countries, a right of priority during the
periods hereinafter fixed.

(2) Any filing that is equivalent to a regular national filing under the domestic
legislation of any country of the Union or under bilateral or multilateral
treaties concluded between countries of the Union shall be recognised as
giving rise to the right of priority.

(3) By a regular national filing is meant any filing that is adequate to establish the
date on which the application was filed in the country concerned, whatever may be the subsequent fate of the application.

B. Consequently, any subsequent filing in any of the other countries of the
Union before the expiration of the periods referred to above shall not be
invalidated by reason of any acts accomplished in the interval, in particular, another filing, the publication or exploitation of the invention, the putting on sale of copies of the design, or the use of the mark, and such acts cannot give rise to any third-party right or any right of personal possession. Rights acquired by third parties before the date of the first application that serves as the basis for the right of priority are reserved in accordance with the domestic legislation of each country of the Union.

C.

(1) The periods of priority referred to above shall be 12 months for patents and utility models, and six months for industrial designs and trademarks.

(2) These periods shall start from the date of filing of the first application; the day of filing shall not be included in the period.

The priority application (ie the application which claims priority from the earlier application) must cover goods or services included in the first application. The system will not allow an applicant to increase the scope of protection in the priority application: such extended protection can only be claimed from the date of filing for those goods or services, and would have to be the subject of a separate application.

The Act uses the expression ‘convention application’ to mean an application in a convention country, which in turn is defined as a country which is a party to the Paris Convention (s 51(1)).

If an application is made in the UK within the six-month period, and a claim is made to priority from a convention application, the date of filing of the first convention application will be the relevant date for establishing when the exclusive rights accorded by registration will commence. No use of the trademark between the filing in the convention country and the priority filing in the UK will affect the registrability of the mark in the UK: a third party cannot establish use of the mark in the UK during that period, but equally if the distinctiveness of the mark the subject of the application depends on its having been used, no use during that period will be taken into account.

According to subsection (3), any filing in a convention country which is ‘equivalent to a regular national filing’ is treated as giving rise to the priority. ‘Regular national filing’ means one which is adequate for establishing the date on which the application was filed in that country, either under the domestic laws of that country or under an international convention.

Where two applications concerning the same subject have been filed in the same convention country, priority could normally be claimed only from the first of them. However, this will not be the case where the first application has been withdrawn, abandoned or refused without having been laid open to public inspection and without leaving any rights outstanding. It must not have been used as the basis for a claim to priority, either. If these conditions are met, priority can be claimed from the later application.
A right to priority may be transferred to another person, either with the application or independently. Thus, the owner of a foreign application may assign the right to file an application in the UK claiming priority from the foreign application to someone else. It is not necessary to transfer the foreign application as well.

Priority may also be claimed from an application in a non-convention country. It may be one with which the UK has a reciprocal arrangement (eg Ecuador), or a territory for whose external relations the UK is responsible and which therefore lacks the capacity to sign the convention itself (eg Hong Kong).

The right to claim priority in such a manner may be conferred by Order in Council. It may extend to a person who has filed an application for protection in:

- one of the Channel Islands or a colony; or
- a country or territory with which the UK has entered into a treaty, convention, arrangement or engagement for the reciprocal protection of trademarks.

The order may make provision corresponding to that made by s 35 relating to convention countries, or such other provision as Her Majesty may consider appropriate. An order will be made by statutory instrument: s 36(3) provides that this is to be subject to the negative resolution procedure.

Registration procedure

Examination

An application for registration will be examined in the registry: if it complies with the requirements of the legislation it will be accepted, and if not it will be refused. Time taken in examination causes delay in pursuing infringers, and the pre-grant search requirement also prevents the UK joining the Madrid Union (see below).

Section 17(2) of the 1938 Act left the matter of acceptance or rejection to the discretion of the Registrar. The government considered this approach to be inconsistent with the directive, since it prescribes an exhaustive list of grounds for refusal: but the examination procedure is not much changed by the 1994 Act.

The Registrar is required to examine all applications to see whether they comply with the requirements of the statute. This includes both absolute grounds for refusal and relative grounds. There may also be procedural requirements stipulated in the rules.

The Registrar carries out a search of earlier trademarks (required by s 37(2)) to such extent as he thinks necessary. This qualification the government says it included for practical reasons: the Registrar might
reasonably be expected to search in the UK register, and the international register: when it comes into existence, the Community register should also be included automatically. But he could not be expected to try to search for earlier unregistered rights.

The Registrar is obliged to tell the applicant if any requirement has not, in his view, been met. The applicant may contest this view, and may also amend the application to overcome the objections. The Registrar must specify a time limit for this to be done.

If the applicant neither satisfies the Registrar that the requirements have been met, nor amends the application to meet them, the Registrar has to refuse the application. The same consequence will follow if the applicant does not respond within the time set by the Registrar.

On the other hand, if it appears to the Registrar that an application complies with all the requirements for registration, it will be accepted. This has the important consequence of removing the discretion given to the Registrar under the 1938 Act.

Publication

Once an application is accepted, the Act provides that it must be published. At that point registration may be opposed by other parties, and written observations can be made.

Opposition was provided for in the 1938 Act, but there was no provision for written observations to be made.

The manner in which accepted applications are to be published is a matter for the rules. These provide for publication in the Trade Marks Journal, a weekly publication.

The 1938 Act contained special provisions for one special case: s 18(1) allowed the Registrar to advertise certain applications prior to acceptance. This was used where the mark would be accepted only after the applicant had filed evidence of distinctiveness. Since the Registrar may annotate an advertisement, if appropriate, to show that it has only been accepted on evidence of distinctiveness, the old provision did not have to be retained.

Opposition

Within the prescribed period from the date of publication (three months), any person may file an opposition to the registration of the mark. This must be in writing, and must state the grounds on which it is based. These may be absolute grounds or relative grounds. The Community Trademark Regulation provides for oppositions only on relative grounds.
Under the old law, a period of a month was given for oppositions, but extensions were liberally granted. The new three-month period will not be extended at all.

Written observations

Any person may also file written observations on whether a mark should or should not be registered. There is no such provision in the 1938 Act (although in practice such observations may be submitted informally), but there is a parallel in s 21 of the Patents Act 1977, and the Community Trademarks Regulation (Article 41) also contains such a provision.

Observations will be treated in the same way as under the Patents Act: the Registrar will pass them on to the applicant, who may comment on them, and will also consider whether they constitute grounds for refusing the application. The person who files the observations will not, however, become a party to the proceedings.

If the Registrar considers that the observations do reveal grounds for refusing the application, he may raise fresh objections: then the s 37(3) procedure will apply.

Withdrawal, restriction and amendment

Withdrawal

At any time prior to registration, the applicant may withdraw the application. The range of goods or services covered by the application may also be limited. The Act specifies other ways in which the application can be restricted, which are limited. If the application has already been published, the fact that it is withdrawn or limited will be advertised.

Restriction

Restrictions may be effected either by deleting material contained in the specification as filed, or by replacing the specification with a narrower one.

Amendment

Amendment of an application is permitted only in limited circumstances. The 1994 Act allows the applicant’s name and address to be changed, errors of wording and copying to be corrected, and obvious mistakes to be put right. The identity of the trademark must not be substantially affected, and the specification of goods and services must not be extended.

The 1938 Act was much more liberal. About the only way in which a mark for which an application for registration has been made can be amended is
now if the applicant’s name or address appears as one non-distinctive element in a more complex mark, so that altering that element does not affect the overall identity of the mark.

If any of the goods or services specified in a published application, or the representation of a published mark, is altered as a result of an amendment, the amended application may have to be re-published. Objections could then be made by anyone claiming to be affected by the amended application.

Registration

Once any oppositions have been overcome, or the time for filing oppositions has expired, s 40 provides that the mark will be registered. It replaces s 19 of the old Act.

Once the conditions are met, the mark must be registered. The Registrar has no discretion in the matter, unless it appears to him that an application has been accepted in error. This is rare, but would happen if the new information becomes available, for example, when observations are filed.

Registration may be made conditional on the payment of a registration fee: the Act includes a power to require a fee at this stage. However, no such fee is charged at present.

Under s 9(3) the rights which stem from registration run from the date of registration.

The Registrar is empowered to issue a certificate once the application has been registered and this happens automatically. It may also be published in the manner prescribed by the rules, namely in the Trade Marks Journal, and by reference to the published application: this has not changed from the old law. Details of the mark and the goods or services for which it is registered will only be published if they have changed since the application was published.

This provision replaces s 19(2) of the 1938 Act. However, the requirement in the old law that the registration certificate be sealed with the seal of the Patent Office is not continued.

Divisional applications

Divisional applications are well known in the patent field, but new to trademarks. The old law permitted an application to cover only one class in the Nice Classification: now that multi-class applications are being permitted, there is more likelihood that there will be objections applicable to only some of the goods covered by an application. An application can in that situation be divided, so part of the application could proceed to registration for those goods or services which do not face objections while the rest is argued over (s 41 and rule 19).
Section 22(2) of the old Act provided for applications to be split, but did not deal with recombining them. So a mark could be divided if a business were split up, but could not be reunited if the business came back together or the part-mark was transferred to the owner of the other part. In fact, the rules made under the 1938 Act appeared to prohibit recombining marks: the Madrid Protocol embraces the notion, however, so the new Act applies the principle to all types of mark.

Merger

Section 41 also introduces the notion of merger. Where a number of marks applied for are the same, have the same filing date and are in the same ownership, they can be merged: but registrations cannot be merged with applications (rule 20). Application must be made to merge applications before the applications are advertised.

Series

A series of trademarks is a number of marks which resemble each other in their material particulars but which differ in non-distinctive matters which do not substantially affect the identity of the mark. A soft drinks manufacturer might use a single style of label for all its products, with only the descriptive element (‘Lemonade’, ‘Orange Crush’, ‘Dandelion and Burdock’) differing. Registration of a series of marks avoids the need for multiple registrations, but gives no protection over the variable element.

Term

Duration

A trademark is registered initially for 10 years (seven under the old law) and is renewed for 10 year period thereafter (formerly 14). This period is measured from the date of registration, which by s 40(3) is the date on which the application was filed. Claiming priority makes no difference to this date, only to the possibility of an intervening mark constituting a relative ground for refusal.

This provision brings UK law into line with most other national systems, which operate 10-year terms: this is also the duration of an international registration under the Madrid Agreement. The Community Trademark will last for this period too, and so will international registrations under the Madrid Protocol.

There is no limit on the number of times a registration may be renewed, provided that the conditions for renewal are satisfied.
Renewal

The procedure for renewing a registration, and the duties of the Registrar, are set out in s 43. This section also provides for the removal of a registration which has not been renewed, and for restoration. It is in effect identical to the old law.

Renewal of a registration is subject, inevitably, to payment of the renewal fee. Unlike renewal fees for patents, which are progressive through the life of the patent, trademark renewal fees are level, though the effects of inflation are likely to make themselves felt during the 10-year intervals between renewals.

The renewal procedure is governed by rules made under powers granted by the section, which states that they may require the Registrar to inform the proprietor of the mark of the date of expiry before it arrives, and of the manner in which the registration may be renewed.

The request for renewal must be made, and the fee paid, before the expiry of the registration. The rules may prescribe an additional period, not more than six months, during which late renewal may be requested and an additional fee paid: such a period of grace is required by Article 5 bis of the Paris Convention, for all manner of intellectual property rights which it covers.

Renewal takes effect from the date of expiry of the previous registration.

Removal

If a registration is not renewed as required, the Registrar must remove it from the register. The Act provides for rules to be made governing the restoration of a removed mark, which may be subject to conditions.

One likely condition would be that no applications have been filed in good faith during the hiatus. Such an application would be prejudiced by the restoration of the earlier registration: this provision follows the 1938 Act and practice under it.

Publication

Renewal and removal are both matters which have to be publicised in the prescribed manner: this means in practice in the *Trade Marks Journal*.

Revocation

Revocation

46. Revocation of registration

(1) The registration of a trademark may be revoked on any of the following grounds:
(a) that within the period of five years following the date of completion of the registration procedure it has not been put to genuine use in the UK, by the proprietor or with his consent, in relation to the goods or services for which it is registered, and there are no proper reasons for non-use;

(b) that such use has been suspended for an uninterrupted period of five years, and there are no proper reasons for non-use;

(c) that, in consequence of acts or inactivity of the proprietor, it has become the common name in the trade for a product or service for which it is registered;

(d) that in consequence of the use made of it by the proprietor or with his consent in relation to the goods or services for which it is registered, it is liable to mislead the public, particularly as to the nature, quality or geographical origin of those goods or services.

(2) For the purposes of subsection (1) use of a trademark includes use in a form differing in elements which do not alter the distinctive character of the mark in the form in which it was registered, and use in the UK includes affixing the trademark to goods or to the packaging of goods in the UK solely for export purposes.

(3) The registration of a trademark shall not be revoked on the ground mentioned in subsection (1)(a) or (b) if such use as is referred to in that paragraph is commenced or resumed after the expiry of the five-year period and before the application for revocation is made: provided that, any such commencement or resumption of use after the expiry of the five-year period but within the period of three months before the making of the application shall be disregarded unless preparations for the commencement or resumption began before the proprietor became aware that the application might be made.

(4) An application for revocation may be made by any person, and may be made either to the Registrar or to the court, except that:

(a) if proceedings concerning the trademark in question are pending in the court, the application must be made to the court; and

(b) if in any other case the application is made to the Registrar, he may at any stage of the proceedings refer the application to the court.

(5) Where grounds for revocation exist in respect of only some of the goods or services for which the trademark is registered, revocation shall relate to those goods or services only.

(6) Where the registration of a trademark is revoked to any extent, the rights of the proprietor shall be deemed to have ceased to that extent as from:

(a) the date of the application for revocation; or

(b) if the Registrar or court is satisfied that the grounds for revocation existed at an earlier date, that date.
Non-use

Registration is vulnerable to cancellation if the mark is out of use for five years (s 46(1)(a) and (b)). It makes no difference if there has been use on goods of the same description or on associated goods or services: this provision from the 1938 Act has been dropped, to comply with Articles 10 and 12 of the directive.

Non-use may arise if the mark has not been put to genuine use within five years after ‘the completion of the registration procedure’. This means the date on which the mark was actually registered, not the effective date from which protection runs.

The use must be in the UK, and must be on the goods or services for which the mark is actually registered. The use must be genuine, that is on a commercial scale and not merely ‘colourable’, and must be by the proprietor or with its consent. Use by a licensee counts as use by the proprietor whether or not the licence is registered. This marks a major difference between the 1994 Act and its predecessor, which allowed only use by registered users to count in this way.

If there are proper reasons for non-use the registration may be saved. Unavailability of raw materials or of the goods for which the mark is registered, or some other special reason in the trade, or the unexpected and serious ill-health of the proprietor of the registration, could suffice: the Act is not specific.

This provision implements mandatory provisions of the directive – Articles 10 and 12 – so the legislation could not be more specific about what constitute proper reasons. The government resisted even an attempt to specify that proper reasons were reasons beyond the reasonable control of the proprietor. Nevertheless, that might prove to be a pretty accurate formulation of the matter.

Even if the mark has been put to genuine use within the appropriate time after registration, it may still be revoked if the use has been suspended for five years. This period must be uninterrupted, and has to be without proper reason.

Generic marks

Section 46(1)(c) provides for the revocation of a mark which has become generic. When this happens, it would be wrong for the proprietor to be allowed to maintain exclusive rights in a word which has become common parlance for the goods or services in question: it has to be available for others to use.

If the mark comes to be a common name in the trade for goods or services for which it is registered, through the acts or inactivity of the proprietor, that will be a ground for revocation. Note that there has to be an act or omission on
the part of the proprietor, and that it is use by the trade, not the public, which matters.

**Misleading marks**

Misleading marks will also be liable to revocation. If the mark is liable to mislead the public especially as to the nature, quality or geographical origin of the goods or services for which it is registered, and that situation has arisen through the use of the mark by the proprietor or with its consent, there are good policy reasons for refusing to allow it to remain registered.

Geographical names were *prima facie* unregistrable under the 1938 Act. The admittance to the register of such marks, achieved for the first time in the 1994 Act, makes this provision particularly significant: under the 1938 Act misleading geographical indications could be refused registration, but there was no specific provision dealing with revocation of a mark on these grounds.

**‘Use’**

Use of a trademark includes use in a form differing in elements which do not affect the distinctive character of the mark. This is required by the directive and by the Paris Convention (Article 5C(2)). Colour, type of lettering, the address of the proprietor, and other similar matters could be changed without altering the distinctive character of the mark.

Use in the UK includes affixing the mark to goods or packaging solely for export.

Revocation for non-use is not available if the mark has become used again before the application for revocation is filed. The use must again be genuine, and if it was started or restarted within the three months immediately preceding the application for revocation it will be disregarded. The only exception to this last provision is where the proprietor (or a licensee) has started making preparations to use the mark before becoming aware that the application might be made.

**Applications for revocation**

Application may be made by any person, not only one with an interest in the mark, to the Registrar or to the court. If proceedings are already pending in court in a matter relating to the trademark, the application must be to the court. The Registrar is given discretion to refer an application to the court of an application is made to him, and this may be done at any time.
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Partial revocation

Revocation may be partial, relating to some only of the goods or services for which the mark is registered. Then, the mark remains registered for the goods or services for which its registration remains valid.

Effect of revocation

The rights of the person registered as the proprietor of a mark are considered to have ceased in so far as it is revoked, from:
– the date of the application for revocation; or
– an earlier date if the court is satisfied that the grounds for revocation existed at that time.

Grounds for invalidity

The grounds on which a mark may be declared invalid are spelt out in s 47. It also explains how an application to have a mark declared invalid can be made and the effect of a declaration.

It provides two specific grounds:
– that the mark was registered in breach of s 3 or any provision referred to there; or
– that the mark conflicts with an earlier trademark or other right (s 5).

These provisions complete the implementation of Articles 3 and 4 of the directive, which requires that marks ‘shall not be registered or, if registered, shall be liable to be declared invalid’ if there is a ground of objection.

Absolute grounds

The first leg of this provision is concerned with absolute grounds for refusal of registration. This would include a mark subsequently found to consist of signs or indications which designate the intended purpose of the goods.

However, a trademark will not necessarily be invalidly registered just because at the time of registration it was not distinctive. If it has acquired distinctiveness through use, it will be allowed to remain on the register. This implements Article 3(3) of the directive, one of the optional provisions.

Relative grounds

Normally, a conflicting earlier registration will be found at the examination stage. If a mark slips through the net and is registered before a conflict comes to light, it may be removed from the register.
A registered mark may also be declared invalid if it conflicts with an earlier right of another description within s 5(4). So if an earlier unregistered trademark, giving the owner the right to enjoin the owner of the later, registered, right from passing off, exists, the later registration may be invalidated.

In neither case may the registration be declared invalid if the owner of an earlier right (whether a registered trademark or something else) has consented to the registration.

Acquiescence

If a person acquiesces in the registration or use of another trademark for five years, his or her right to challenge that registration or use is limited by s 48. This implements Article 9 of the directive.

The effect of acquiescence applies equally to the owners of earlier trademarks or other prior rights. Acquiescence is something that happens knowingly. If it occurs, the proprietor of the senior rights is not entitled to claim that the junior mark is invalid, or challenge its use on the goods or services for which it is used.

There is an exception to this provision where the later mark was applied for in bad faith. However, what is bad faith, like the matter of when acquiescence is knowing or the extent to which the proprietor of the rights knew of the later use, is for decision on the facts of each individual case.

Where these facts arise, the proprietor of the junior registered mark is not allowed to oppose the use of the earlier right, or its exploitation. The proprietor of the senior right is prevented from attacking the junior mark but is protected from attack by it.

COMMUNITY TRADEMARKS

The Community trademark system

While the main reason for the Act is the directive, that is only one level at which trademarks are being addressed as an issue of Community concern. The introduction of the Community trademark will require regulations to be made, and the Act grants the necessary powers to the minister responsible.

The expression ‘Community trademark’ is defined in Article 1(1) of the regulation:

A trademark for goods or services which conforms with the conditions contained in this regulation and is registered in the manner herein provided is hereinafter referred to as a ‘Community trademark’.
The Community Trademark Regulation will establish a system whereby a Community trademark can be obtained by registration at the Community Trademarks Office, which the regulation establishes. The mark is a unitary right, which has effect throughout the EC, and the proprietor will be able to proceed against infringements taking place in several Member States through a single action in a designated court in a single Member State.

The Commission’s original proposal for a regulation was published in 1980. The European Council decided on 29 October 1993 that the office should be located in Spain (and that the proposed Community Designs Office should be there too) and that the languages of the office should be English, French, German, Italian and Spanish. The regulation, which had been stalled over these matters for many years, was then adopted.

The Office for Harmonisation in the Internal Market, which will run the Community trademark system, started operations on 1 April 1996. It had been accepting applications since the start of the year, but they will not be examined before April and will be accorded a filing date of 1 April.

The Act makes provision for the necessary regulations to be made in the UK. However, the provisions which deal with this matter will have no effect until the Community trademark is up and running.

Section 52 is the provision which enables the government to make regulations required for the introduction of the Community Trademark Regulation. It empowers the Secretary of State to make the necessary provisions by regulation.

The Community Trademark Regulation will, like other EC regulations, be directly effective in the UK (and in all other Member States). However, there are consequential matters which do require domestic legislation.

First, applications for Community trademarks may be made through the national intellectual property offices of the Member States. In the UK, this means that an application for a CTM may be made to the Patent Office, in the same way as an application under the 1994 Act. Applications filed in this way will not be examined by the Patent Office, but simply passed within the two weeks prescribed in the CTMR to the CTMO in Alicante: a receipt will be issued and a handling charge made.

Second, there have to be provisions to enable the UK registry to determine a posteriori the validity or liability to revocation of a registration of a trademark from which a Community trademark claims seniority. This is not only a consequence of the regulation but a requirement of the directive (Article 14). The problem is that a CTM may claim priority from an earlier UK trademark: the CTM then stands in the shoes of the UK registration if a dispute arises between it and another trademark.

This will continue to be the case even if the UK mark is surrendered or lapses, but not if it is revoked or invalidated. This means that anyone whose
interests are adversely affected by the claim of the CTM to the UK mark’s seniority must be able to contest the UK registration.

Where the UK mark is still registered, this is not difficult. But where the UK mark has been relinquished voluntarily, the registry will have to establish whether it could have been revoked or invalidated if it were still on the register. This is the situation to which the regulations to be made under s 52(2)(b) is directed.

Third, there have to be provisions concerning the conversion of a CTM or an application for one into a national application. This is because the CTMR provides for the applicant for, or owner of, a CTM to request that the application or registration be converted if it is refused or withdrawn, or ceases to have effect (wholly or partially).

This situation is likely to arise where a CTM application conflicts with an earlier trademark registered in one or more Member States. The CTMR provides then that the applicant can request that the application be converted into national applications in Member States where there is no conflict.

The request has to be filed with the CTMO, which passes it on to the national intellectual property offices of the Member States concerned. A national application arising in this way is treated no differently from an application filed in the normal way at the national registry at the date of filing of the original CTM application.

Fourth, the regulation requires that the Member States designate courts to be Community trademark courts. Proceedings for infringement will be able to be brought in one such court: its decision will have Community-wide effect. The regulation sets out the rules for determining which Member State’s courts have jurisdiction: this depends on the domicile or place of business of the defendant or plaintiff, or on where the infringement has taken place. If the latter route is chosen, however, the judgment will have effect only in that Member State.

The government proposes to designate those courts which presently have jurisdiction to hear trademark infringement cases: the High Court in England and Wales and in Northern Ireland and the Court of Session in Scotland.

Fifth, certain provisions of the Act will be applied to Community trademarks too, and these require statutory instruments. They are:

- Groundless threats;
- Seizure by Customs and Excise of infringing matter;
- Fraudulent use of a trademark.

All instruments which may be made under these powers will be subject to the negative resolution procedure.
Trademarks

Relationship with national laws

The directive ensures that national trademarks will exist alongside Community trademarks on similar terms. What infringes a Community trademark is a matter for national law, subject to the jurisdiction of the European Court of Justice over the designated Community trademark courts.

Disadvantages

There is some doubt that the Community trademark will fill a need when finally it becomes available. It will permit cheaper applications within the Community, the fees being roughly equivalent to two or three national applications and there being no need to pay attorneys more than once, but the extension of the Madrid system (on which see below) will have a similar effect. The Community trademark is also likely to suffer from the difficulty of coining a trademark which will work satisfactorily in all the languages and countries of the Community.

INTERNATIONAL TRADEMARKS

The Madrid Agreement and Protocol

The agreement

The Madrid Agreement, which established a system for international registration of trademarks, was originally concluded in 1891. It is a special arrangement under the Paris Convention.

The agreement provides that the proprietor of a registered trademark in its home country can use the national registration as the basis for an international registration. The proprietor designates the countries within the Madrid system where protection is required, and files an international application with the World Intellectual Property Organisation in Geneva.

The agreement provides that the mark will be protected in the designated countries in just the same way as if the application had been filed with the intellectual property office of each of those countries. The national offices are allowed to examine the application in the same way as applications filed direct, but the Madrid Agreement provides that any objections to protecting the mark must be raised within 12 months. If they are not, the mark is protected in that country.

The UK is not a party to the Madrid Agreement, and never has been. Its provisions on time limits and fees are difficult to reconcile with the UK system for registering trademarks, in particular the thorough pre-grant examination and the refusal of registration where there are conflicting registrations.
The agreement covers a large number of countries: but in addition to the UK, the Scandinavian countries, the whole of North and South America, Australasia and Japan are missing from the union it creates. Those which are parties to the agreement are largely ‘deposit’ countries, where the authority which registers trademarks does not take responsibility for raising objections (or raises only limited ones) leaving the validity of the registration to be established by litigation.

THE PROTOCOL

The protocol to the Madrid Agreement concerning the International Registration of Marks, adopted in Madrid on 27 June 1989, radically alters the prospects of UK trademark owners registering their marks abroad. It is a parallel treaty to the agreement which aims to overcome the problems that the UK and others have with the present system. It comes into force on 1 April 1996.

It will allow an international application to be based on a UK registration or application. The owner of the UK mark or application must also be a UK national or domiciled in the UK or have a real and effective industrial or commercial establishment in the UK.

The protocol extends to 18 months the period for notification to an international applicant of any objections. Objections to the registration of the mark arising out of the opposition of another party (eg the owner of an earlier conflicting trademark or other right) may be filed after that period.

So however long the examination takes, the owner of an earlier right will not lose the right to oppose registration of the international mark in the UK. Oppositions are rare in the UK because of the examination carried out by the Trade Marks Registry: even so, it would (the government says) have been unjust to have allowed the owner of such rights to have been deprived of the right to oppose.

The fees payable under the Madrid Agreement are fixed and collected centrally. The proceeds are distributed among the countries party to the agreement; but the UK would receive significantly less than it receives from direct applicants. Implementation of the Madrid Agreement in the UK would therefore have meant that applicants for UK marks were subsidising international applications, and that was not acceptable to the government.

The protocol deals with this problem by allowing parties to charge international applicants fees related to the fees charged to direct applicants. A country choosing this option may charge international applicants the same as applicants under the national system, less a sum which reflects the savings which result from the international system.
Another important change is that an international application may be based on an application for a national registration in the country of origin. The agreement requires that the mark be registered first. This is important to UK trademark owners, as registration here takes longer than note the deposit countries.

**The International Bureau**

The International Bureau of the World Intellectual Property Organisation plays an important rôle in the international trademark system, maintaining the international register under the agreement, a duty which it will also discharge under the protocol. WIPO is a United Nations agency, based in Geneva.

**International trademarks (UK)**

An international trademark (UK) means (or will mean) a mark which is entitled to protection in the UK under the protocol. It must have been registered in Geneva and the registrant must have designated the UK and paid the fees. In addition, either 18 months must have passed from the date on which the international bureau notified the UK Patent Office of the request for protection in the UK with no objections having been made in that time, or any objections must have been overcome.

An international trademark (UK) will confer the same the same rights and have the same protection as a mark registered under the UK law. It may be an earlier trademark within s 6, constituting a barrier to registration of a later conflicting mark.

However, international marks (UK) will not be recorded on the UK register. Renewal must be effected through the International Bureau, and any changes to the registration – a new proprietor, for example – must be effected and recorded in the International Register.

To bring the protocol into effect in the UK, and to permit the UK to ratify it, an order is required. Section 54 gives the Secretary of State the necessary powers.

The section contains a non-limiting list of matters which may be included in the order.

**Application via the Patent Office**

Ratification of the protocol will enable a UK national or someone who is domiciled or has a commercial establishment here and who owns a UK trademark to use it as the basis for an international application filed with the Patent Office. The same possibility extends to an applicant for a UK trademark, provided the same conditions are fulfilled.
The Patent Office must certify that the particulars appearing on it match those on the national registration or application: the goods or services for which protection is sought must be specified, and cannot include goods or services not within the specification of the UK application. The countries of the Madrid system where protection is required must also be stated.

The Patent Office has the task of forwarding the verified application to the International Bureau in Geneva, for which service it will make a charge intended to cover its costs.

Central attack

Under the pre-protocol Madrid system, central attack was a major disincentive to international applications, and to UK membership. It meant that a successful challenge to the national registration which lay at the root of a proprietor’s international registrations would bring down the whole edifice, not just the basic national registration.

The protocol amends this position, providing that such an attack will transform the international registrations into national applications. The Patents Office needs rules to put this provision into effect.

The possibility of central attack remains open for five years from the date on which the international application was filed at the Patent Office, or another country’s national intellectual property office. This time limit is unchanged by the protocol. After that, the international registrations are independent and central attack ceases to be an issue.

After the five-year period, then, the Patent Office does not have to tell the International Bureau if the UK application or registration disappears. But before then, during the period of dependency, the International Office needs to know if the UK application is withdrawn or refused, or is amended, or if the registration is cancelled or lapses.

Note that it is not merely a matter of whether the relevant event occurs within the period: if proceedings are started within the period, in the form of an opposition or request for cancellation, or if the Registrar intimates to the applicant that he is minded to refuse registration during the five-year period, the International Bureau will need to know. It would be wrong for the system to permit an applicant in the UK, knowing that the application is unlikely to be upheld if its validity is challenged, to file international applications on its back which will achieve independence if the basic UK mark survives for the five years.

Application for an international mark (UK)

The order also has to deal with the situation where an application is received by the International Bureau to extend an international registration to cover the
UK. This is intended to be dealt with in the same way as an application filed directly with the Patent Office. The procedures set out in the Act will be followed, except that the mark will not be entered on the register in this country but on the international register.

The order must also deal with the effect of a successful request for protection of an international registration to the UK. By Article 4 of the protocol, the protection of a mark in a designated country must be the same as if it had been registered by the national intellectual property office. So an international registration confers the same rights on the owner as a trademark registered under the 1994 Act.

International applications must be capable of being transformed into national ones. Designed to mitigate the effects of central attack, Article 9 quinquies of the protocol requires this.

An international registration which has been cancelled under the central attack provisions within its first five years may be transformed into a series of national applications in the countries which the international application originally designated. These applications are dealt with as though they had been filed in the relevant countries on the date of the original international application.

The Registrar will be permitted under the regulations to be made under this power to treat a request for transformation (which will be passed to him by the International Bureau) as if it were a national application under the Act. The filing date to be accorded to the national application will be that of the original international application. It will thereafter be subject to the same requirements (including fees) and procedures as an application filed in the usual way.

Fees payable for matters connected with international applications are to be covered in the regulation. Article 8 of the protocol allows Contracting States to require applicants to pay fees the same as those payable by a national applicant, less a sum which reflects the cost savings resulting from the international procedure.

In particular, the regulations may require an application fee, a registration fee and a renewal fee. These will be received from the proprietor by the International Bureau, which will forward them to the national office.

The rules will apply certain provisions of the Act to international trademarks (UK). These are:
(a) groundless threats;
(b) seizure by Customs and Excise;
(c) counterfeiting.

The rule-making powers given under the Act are general, however, so it may well be that other provisions of the Act will be applied to international trademarks.
Any order made under the provisions of the act relating to the Madrid Protocol are to be subject to the negative resolution procedure.

DEALINGS IN TRADEMARKS

Introduction

A registered trademark is the personal property of its proprietor (incorporeal movable property in Scotland) [s 22] and may therefore be freely transferred to another person, or licensed.

The owner of a trademark may be a natural person or a legal person such as a company or a partnership. In the nature of these things, most are owned by companies: but there is no requirement that the owner of a UK trademark be a UK company or indeed have any connection with the UK other than that they use the mark here or have a bona fide intention of doing so.

Under the Trade Marks Act 1938 registration of licences, which had to contain quality control provisions, was mandatory. Otherwise, the proprietor risked it being found that the mark was not in use. Now any use with the proprietor’s consent is permitted and will count as use of the mark by the proprietor – important for keeping the registration alive. Part assignment is possible. It is the Registrar’s responsibility for examining and approving licensing and assignment transactions.

Assignments

The transmission of a trademark, by assignment, testamentary disposition or operation of law can be effected in just the same way as any other personal or movable property. Section 24, as promised in the White Paper, removes some of the restrictions imposed by s 22 of the 1938 Act on transfers of trademarks. Deregulation is, after all, one of the aims of the new Act.

24. Assignment, etc of registered trademark

(1) A registered trademark is transmissible by assignment, testamentary disposition or operation of law in the same way as other personal or movable property.

It is so transmissible either in connection with the goodwill of a business or independently.

(2) An assignment or other transmission of a registered trademark may be partial, that is, limited so as to apply:

(a) in relation to some but not all of the goods or services for which the trademark is registered; or
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(b) in relation to use of the trademark in a particular manner or a particular locality.

(3) An assignment of a registered trademark, or an assent relating to a registered trademark, is not effective unless it is in writing signed by or on behalf of the assignor or, as the case may be, a personal representative. Except in Scotland, this requirement may be satisfied in a case where the assignor or personal representative is a body corporate by the affixing of its seal.

(4) The above provisions apply to assignment by way of security as in relation to any other assignment.

(5) A registered trademark may be the subject of a charge (in Scotland, security) in the same way as other personal or movable property.

(6) Nothing in this Act shall be construed as affecting the assignment or other transmission of an unregistered trademark as part of the goodwill of a business.

The Registrar will no longer have any responsibility for approving assignments, even voluntarily. The validity of a partial assignment will no longer turn on whether the mark being in the ownership of more than one proprietor would be likely to deceive or cause confusion.

Section 24 is modelled in some respects on s 30 of the Patents Act 1977. A mark may also be partially assigned or transmitted. The rights to use the mark on some only of the goods or services for which it is registered may be transferred: then the same mark will be owned for different goods or services by different people.

An assignment will only be effective if it is in writing. It must be signed by or on behalf of the assignor, and an assent (a release by an executor to a legatee) must be signed by or on behalf of a personal representative.

Security interests

An assignment by way of security is treated in the same way as any other assignment. In addition, a trademark may be charged in the same way as other personal or movable property. It may therefore be mortgaged by assignment.

Transfer of unregistered trademarks

Nothing in the Act affects the assignment or transfer of an unregistered trademark as part of the goodwill of a business. Section 24(6) spells this out for the avoidance of doubt. The 1938 Act provided (s 22(3)) that an unregistered trademark could be assigned with the goodwill of a business, provided that a registered mark used in the same business was assigned at the same time. This is repealed, but it makes no difference to the common law position of the assignment of an unregistered trademark with goodwill.
Licensing

Registered users

Before 1938, there was no statutory recognition of the licensing of trademarks. It was not clear whether it was possible at all to license someone else to use a trademark without compromising the distinguishing function of the mark and risking it being invalidated.

Section 28 of the 1938 Act established a registered user system. The licensor and the licensee together had to apply to the Registrar, with a statutory declaration describing their relationship and the proposed use. In particular, there had to be quality control arrangements.

The effect of a registered user agreement was to ensure that the use of the mark by the licensee accrued to the proprietor. Without such a provision, invalidation on the grounds of non-use would be the inevitable consequence of many licensing arrangements, since the proprietor would not be using the mark itself.

The Registrar had to consider each application and satisfy himself that the proposed use would not be contrary to the public interest. He could call for further documents and other information and evidence as he thought necessary. If he was satisfied that the arrangement was in the public interest, the licensee would be entered on the register as a registered user of the mark.

No other licensees of trademarks were recognised by the 1938 Act. The likely intention of that legislation was to permit no other licensees without the trademark becoming invalid. The case law has however been more liberal than this.

Licensing under the 1994 Act

28. Licensing of registered trademark

(1) A licence to use a registered trademark may be general or limited.

A limited licence may, in particular, apply:

(a) in relation to some but not all of the goods or services for which the trademark is registered; or

(b) in relation to use of the trademark in a particular manner or a particular locality.

(2) A licence is not effective unless it is in writing signed by or on behalf of the grantor.

Except in Scotland, this requirement may be satisfied in a case where the grantor is a body corporate by the affixing of its seal.

(3) Unless the licence provides otherwise, it is binding on a successor in title to the grantor’s interest.

References in this Act to doing anything with, or without, the consent of the proprietor of a registered trademark shall be construed accordingly.
(4) Where the licence so provides, a sublicence may be granted by the licensee; and references in this Act to a licence or licensee include a sublicence or sublicense.

29. Exclusive licences

(1) In this Act an ‘exclusive licence’ means a licence (whether general or limited) authorising the licensee to the exclusion of all other persons, including the person granting the licence, to use a registered trademark in the manner authorised by the licence.

The expression ‘exclusive licensee’ shall be construed accordingly.

(2) An exclusive licensee has the same rights against a successor in title who is bound by the licence as he has against the person granting the licence.

30. General provisions as to rights of licensees in case of infringement

(1) This section has effect with respect to the rights of a licensee in relation to infringement of a registered trademark.

The provisions of this section do not apply where or to the extent that, by virtue of s 31(1) below (exclusive licensee having rights and remedies of assignee), the licensee has a right to bring proceedings in his own name.

(2) A licensee is entitled, unless his licence, or any licence through which his interest is derived, provides otherwise, to call on the proprietor of the registered trademark to take infringement proceedings in respect of any matter which affects his interests.

(3) If the proprietor:

(a) refuses to do so; or

(b) fails to do so within two months after being called upon, the licensee may bring the proceedings in his own name as if he were the proprietor.

(4) Where infringement proceedings are brought by a licensee by virtue of this section, the licensee may not, without the leave of the court, proceed with the action unless the proprietor is either joined as a plaintiff or added as a defendant.

This does not affect the granting of interlocutory relief on an application by a licensee alone.

(5) A proprietor who is added as a defendant as mentioned in subsection (4) shall not be made liable for any costs in the action unless he takes part in the proceedings.

(6) In infringement proceedings brought by the proprietor of a registered trademark any loss suffered or likely to be suffered by licensees shall be taken into account; and the court may give such directions as it thinks fit as to the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on behalf of licensees.

(7) The provisions of this section apply in relation to an exclusive licensee if or to the extent that he has, by virtue of s 31(1), the rights and remedies of an assignee as if he were the proprietor of the registered trademark.
31. Exclusive licensee having rights and remedies of assignee

(1) An exclusive licence may provide that the licensee shall have, to such extent as may be provided by the licence, the same rights and remedies in respect of matters occurring after the grant of the licence as if the licence had been an assignment.

Where or to the extent that such provision is made, the licensee is entitled, subject to the provisions of the licence and to the following provisions of this section, to bring infringement proceedings, against any person other than the proprietor, in his own name.

(2) Any such rights and remedies of an exclusive licensee are concurrent with those of the proprietor of the registered trademark; and references to the proprietor of a registered trademark in the provisions of this Act relating to infringement shall be construed accordingly.

(3) In an action brought by an exclusive licensee by virtue of this section a defendant may avail himself of any defence which would have been available to him if the action had been brought by the proprietor of the registered trademark.

(4) Where proceedings for infringement of a registered trademark brought by the proprietor or an exclusive licensee relate wholly or partly to an infringement in respect of which they have concurrent rights of action, the proprietor or, as the case may be, the exclusive licensee may not, without the leave of the court, proceed with the action unless the other is either joined as a plaintiff or added as a defendant.

This does not affect the granting of interlocutory relief on an application by a proprietor or exclusive licensee alone.

(5) A person who is added as a defendant as mentioned in subsection (4) shall not be made liable for any costs in the action unless he takes part in the proceedings.

(6) Where an action for infringement of a registered trademark is brought which relates wholly or partly to an infringement in respect of which the proprietor and an exclusive licensee have or had concurrent rights of action:

(a) the court shall in assessing damages take into account:

   (1) the terms of the licence; and
   (2) any pecuniary remedy already awarded or available to either of them in respect of the infringement;

(b) no account of profits shall be directed if an award of damages has been made, or an account of profits has been directed, in favour of the other of them in respect of the infringement; and

(c) the court shall if an account of profits is directed apportion the profits between them as the court considers just, subject to any agreement between them.

The provisions of this subsection apply whether or not the proprietor and the exclusive licensee are both parties to the action; and if they are not both parties the court may give such directions as it thinks fit as to the extent to
which the party to the proceedings is to hold the proceeds of any pecuniary remedy on behalf of the other.

(7) The proprietor of a registered trademark shall notify any exclusive licensee who has a concurrent right of action before applying for an order under s 16 (order for delivery up); and the court may on the application of the licensee make such order under that section as it thinks fit having regard to the terms of the licence.

(8) The provisions of subsections (4) to (7) above have effect subject to any agreement to the contrary between the exclusive licensee and the proprietor.

Paragraphs 4.36 and 4.37 of the White Paper deal with the replacement of these provisions. It was never the government’s intention to do away with all registration of licences, but this is now placed on a voluntary footing. The Registrar is not obliged to scrutinise or approve the arrangements, however.

There is no express provision in s 28 stating that use by the licensee accrues to the proprietor, as there was under the old law: however, s 46(1) provides that such use will help defeat an invalidity claim, which amounts to the same thing.

A licence to use a registered trademark may be general or may be limited. If it is limited, it may cover some only of the goods or services for which the mark is registered, or use in a particular manner or in a particular locality.

This provision (s 28(1)) implements Article 8(1) of the directive. Paragraph (2) of the article states:

The proprietor of a trademark may invoke the rights conferred by that trademark against a licensee who contravenes any provision in his licensing contract with the regard to its duration, the form covered by the registration in which the trademark may be used, the scope of the goods or services for which the licence is granted, the territory in which the trademark may be affixed, or the quality of the goods manufactured or the services provided by the licensee.

In the UK, it is considered unnecessary to spell out the fact that use by a licensee outside the terms of the licence infringes the rights of the proprietor. The proprietor has the choice of suing for breach of contract.

A licence is not effective unless it is in writing. It must be signed by, or on behalf of, the licensee (ie the proprietor).

Unless the licence otherwise provides, it is binding on the successors in title to the grantor’s interest. Absent any contrary provision, a licence agreement is not affected by any assignment or transmission of the registered trademark. However, a licence may cease to exist or be otherwise varied on the assignment or transmission of the registration if the terms of the licence so provide.

References to doing anything with or without the consent of the proprietor are to be construed accordingly. A licensee whose licence continues to have effect after an assignment of the mark is deemed to be acting with the consent
of the new proprietor, even though the new proprietor may not have expressly consented to the use.

Where the licence so provides, the licensee may grant sublicences.

**Exclusive licences**

Exclusive licences enjoy extended rights under the Act. Section 29 starts by defining an exclusive licence: a licence conferring on the licensee, to the exclusion of all other persons including the licensor the right to use the trademark. Similar definitions for other types of intellectual property are found in s 130(1) of the Patents Act 1977 and s 92(1) of the Copyright, Designs and Patents Act 1988. There are no similar provisions relating to designs.

An exclusive licensee – the terminology used in the Act – is the holder of such a licence, while a non-exclusive licensee is the holder of any other licence.

If the trademark which is the subject of an exclusive licence is transferred to a new proprietor, any exclusive licensee of that mark will continue to have the same rights against the new proprietor as against the old one if the new proprietor is bound by the terms of the licence. Thus, unless the licence specifically provides that the new proprietor is not bound by the exclusive licence, he or she will not be so bound.

**Rights of licensee**

Licensees have the right to call on the proprietor of the mark to take action for infringement. The licence agreement may, however, contract out of this right.

If the proprietor either refuses to do so or fails to do so within two months after being called upon, the licensee is entitled to bring proceedings in its own name, as if it were the proprietor. However, for the action to proceed, the licensee must (unless the court orders otherwise) either join the proprietor as a plaintiff or add it as a defendant. The licensee may, however, apply in its own name for interlocutory relief.

A proprietor joined as a plaintiff is only liable for costs if it takes part in the proceedings.

Where the proprietor brings infringement proceedings, account has to be taken of any loss suffered by the licensee. Section 30(6) provides that the court may give such directions as it thinks fit regarding the extent to which the plaintiff is to hold the proceeds of any pecuniary remedy on the licensee’s behalf.

Where an exclusive licensee has the rights and remedies of an assignee under s 31, it will be treated for these purposes as if it were a proprietor: so any sublicensee will be able to exercise the rights granted by s 30 against the exclusive licensee.
Exclusive licensees

Section 31 provides that an exclusive licence may provide for the licensee to have the same rights and remedies for matters occurring after grant of the licence as if the licence had been an assignment. The provision is permissive only: and it applies only to the extent that the licence so provides. Originally, it provided such rights for the exclusive licensee automatically: this would have deprived the proprietor of any control over the strategy of enforcement of the rights in the trademark, which was considered undesirable. In this it also differed from other provisions dealing with concurrent rights of action. The government accordingly amended the provision when it introduced a new section.

The section then goes on to lay down provisions which apply where the agreement provides for (or to the extent that) the exclusive licensee to bring infringement proceedings. First, it states that such rights are concurrent with those of the proprietor of the mark.

The defendant in an action brought by an exclusive licensee can use any defence which would have been available if the action had been brought by the proprietor. Where the proprietor and the licensee have concurrent rights of action, neither may proceed (except with the leave of the court) unless the other is joined as a party – either a plaintiff or a defendant. A party so joined as a defendant will not be liable for costs. As under s 30, either party may apply in its own name for interlocutory relief.

Where the proprietor and the exclusive licensee have, or had, concurrent rights of action, the court must take into account the terms of the licence and any pecuniary remedy already awarded or available when it comes to assess the damages to be awarded. If an award of damages has been made or an account of profits directed, no account of profits will be directed in favour of the other: and if an account of profits is directed, the court will apportion the profits between the proprietor and the licensee as it thinks just, subject to any agreement between the parties.

The provisions described in the previous paragraph apply regardless of whether both the proprietor and the licensee are parties to the action. If they are not, the court may give such directions as it thinks fit regarding the extent to which the party to the proceedings is to hold the proceeds of any pecuniary remedy on behalf of the other.

Before applying for an order for delivery up, the proprietor of a registered trademark must notify any exclusive licensee. The court may, on the application of the licensee, make such order under that provision as it thinks fit, having regard to the terms of the licence.

Again, the application of these provisions is subject to any agreement to the contrary between the parties.
Registration of transactions

The Act provides that certain registrable transactions must be entered on the register of trademarks. Section 25 of the old Act provided for registration of assignments and transmissions of trademarks: s 25 of the new Act is broader. It also replaces (though in a very different form) s 28 of the 1938 Act, which dealt with registered user agreements.

Importantly, the Registrar is no longer required to check that what is sought to be entered in the register is proper. The parties concerned are responsible for ensuring the propriety of the information: the Registrar is only responsible for recording it accurately.

Registrable transactions are defined in subsection (1). They are:

– assignments;
– licences;
– security interests; and
– assents relating to marks, or any right in or other competent authority transferring the mark or any right in or under it.

Application to register a registrable transaction may be made by either party to the transaction. Usually it will be the person claiming to be entitled to an interest – a licensee, mortgagee or assignee as well as the proprietor of a mark – who applies. Prescribed particulars of the transaction will then be entered in the register.

Until particulars are entered in the register, the registrable transaction is ineffective against a third party who acquires rights in or under the mark and who is ignorant of the transaction. An assignee of an unregistered licence is not bound by the licence: likewise, an assignee who is unaware of an unregistered charge.

Someone who has an interest in a trademark due to a past transaction which has not been registered may apply to register it, even though she was not a party to the transaction herself.

If an exclusive licence is not recorded, the result will be that the grant of a later licence to a licensee who does not know about the first one (whether the second licence purports to be exclusive or not) will end the exclusivity of the first licence. The later licensee will not be bound by the exclusivity of the earlier licence. The first licensee will not be able to sue the later one for infringement. It will, however, be able to sue for breach by the licensor of the terms of the exclusive licence.

Any dispute about the ineffectiveness of the rights given will, the government helpfully points out in the notes on clauses, be a matter between the grantor and the grantee of the rights. But since the Act gives both the right to apply to record the transaction, unless there has been a breach of a term of
the agreement under which the grantor (most likely) agreed to register the transaction, it is hard to see on what basis they might argue. The grantee, the party most likely to be prejudiced by the failure to register, could have registered it herself.

Of course, if it can be shown that notwithstanding the failure to register the person acquiring the rights knew of the earlier transaction, it will be effective.

Licensees are given rights of action by the new Act: but if the licence is not registered, s 25(2)(b) provides that the licensee can neither sue nor call on the licensor to sue. Nor will any loss sustained by the unregistered licensee be taken into account in assessing the damages payable where the proprietor has brought infringement proceedings.

This provision will encourage (without making mandatory) the registration of licences: in this it resembles the 1938 Act.

Where a transfer of ownership has not been registered, the Act provides that the right to damages or an account of profits will be limited. An application to register the transaction must have been made within six months after the date of the transaction, otherwise the new proprietor will not be entitled to compensation for anything happening between becoming the proprietor and registering the fact.

A court may override this rule if it is satisfied that it was not practicable for the particulars of the transmission or assignment to be registered in that time. It must however have been registered as soon as practicable thereafter. This provision closely resembles s 68 of the Patents Act 1977.

Trusts

The Registrar may refuse to enter details of a notice of trust on the register. Nor is the Registrar affected by any notice of trust. However, equities relating to a trademark may be enforced, in the same way as equities relating to other personal property.

This provision (s 26) re-enacts s 64 of the 1938 Act.

The Registrar is given a general power to refuse to enter a notice of trust on the register, and from the wording of the provision he has no alternative but to refuse to enter it on the register.

Nothing in this provision stops a trademark being held in trust. It just means that, as far as the Registrar is concerned, the person recorded as the owner of the trademark is treated as the proprietor of the mark. Any arrangements, or disputes, between the trustee and the beneficial owner of a trademark are nothing to do with the register.
Property in applications

Applications for registration of trademarks are treated as property in much the same way as registered trademarks. Section 27 is designed to ensure that this happens, and is a new provision.

Under the 1938 Act, there was no provision for a pending application to be assigned by itself at all. Only if it were accompanied by a mark registered for similar goods or services would it be transferable.

However, applications for patents have long been a type of property, and the Community Trademarks Regulation treats an application as a form of property. Now the Act does so to.

Section 27 simply provides that the provisions of ss 20–26 apply to applications as they do to registered marks. Some modifications are necessary to put this fully into effect: the section merely states that the relevant provisions will take effect ‘with the necessary modifications’.

This means that an application for registration may now be transferred, with or without the goodwill of a business. A licence may be granted, allowing another person to sue the mark covered by a pending application: and an application may be mortgaged or charged.

An interested person may also request that the particulars of such a transaction be entered on the register. This is exactly the same as for a registered mark.

In the case where two or more persons make application for the registration of a trademark, their rights are determined by s 23 (which covers the situation where two or more parties own a registered trademark).

Pending applications are not entered in the register. Until the mark is registered, transactions affecting pending applications cannot be recorded on the register. Subsection (3) therefore provides that the references in s 25 to the entry of particulars in the register are to be construed as references to the giving of notice of those particulars to the Registrar.

This means that giving notice of a transaction relating to an application causes the transaction to be effective against a person who acquires a conflicting interest in the application. It also means (according to the government) that where the pending application has been assigned but the particulars have not been notified to the Registrar, any damages awarded in an infringement action will be limited in the same way as provided for in s 25. However, since no infringement action may be brought before registration is granted, the purpose of this statement is obscure.
CONFIDENTIAL INFORMATION

INTRODUCTION

Confidential information may not, strictly speaking, be a type of intellectual property. It derives its protection in law from a number of different sources: contract, tort, equity. However, the law on confidentiality can protect the same material as some intellectual property rights, especially patents, so it has to be understood in a consideration of intellectual property law. And recent cases seem to regard confidential information as a type of property.

The courts recognise that information can be protected if it ‘has the necessary quality of confidentiality about it’ (per Lord Greene MR in Saltman Engineering Co Ltd v Campbell Engineering Co Ltd [1948] 65 RPC 203). The equitable doctrine of breach of confidence is long-established although the modern application of the law dates back only some 50 years.

A duty of confidence may arise in a contractual relationship, but no contract is necessary for the obligation to exist: the mere communication of confidential information may, in the right circumstances, give rise to a fiduciary duty. As Lord Denning put it in Seager v Copydex [1967] 1 WLR 923, 931:

The law on this subject does not depend on any implied contract. It depends upon the broad principle of equity that he who has received information in confidence shall not take unfair advantage of it. He must not make use of it to the prejudice of him who gave it without obtaining his consent.

For example, a lawyer’s duty of confidentiality is set out in the CCBE code of conduct for lawyers in the EC:

2.3 Confidentiality

2.3.1 It is of the essence of a lawyer’s function that he should be told by his client things which the client would not tell to others, and that he should be the recipient of other information on a basis of confidence. Without the certainty of confidentiality there cannot be trust. Confidentiality is therefore a primary and fundamental right and duty of the lawyer.

2.3.2 A lawyer shall accordingly respect the confidentiality of all information given to him by his client, or received by him about his client or others in the course of rendering service to his client.

1 Lord Denning also provides an excellent and extremely readable, if now somewhat dated, introduction to the law of confidentiality in his book What Next in the Law, 1982, London: Butterworths.
2.3.3 The obligation of confidentiality is not limited in time.

2.3.4 A lawyer shall require his associates and staff and anyone engaged by him in the course of providing professional services to observe the same obligation of confidentiality.

The history and development of the action for breach of confidence is described by Megarry J (as he then was) in *Coco v A N Clark (Eng) Ltd* [1969] RPC 41.

There is no statute law on the subject, so there are few hard and fast rules. Confidentiality can be a useful means of protection where intellectual property rights are not available, perhaps because the material to be protected is not in a form recognised by copyright law, or an innovative development does not meet the strict criteria for patentability. The courts seek to balance the rights of the proprietor of confidential information against the rights of those who have an interest in using it. The use of confidential information may generally be restrained to a reasonable degree and for a reasonable time. See below.

**SUBJECT-MATTER**

The law of confidentiality can cover a wide variety of different types of information, or know-how, including technical information and business intelligence such as customer lists. The scope of the right to protect confidential information may depend more on the effort involved in duplication than on the nature of the material. The mere fact that the information is simple is no bar to its being protected: all that is needed is that its availability is limited.

The information must be specific and well defined. Information which is publicly available cannot be protected, though a particular selection of publicly available information may be.

Once information becomes public, no end of confidentiality agreements can restore its confidential status. Any disclosure is fatal to its confidentiality, unless that disclosure is made in circumstances of confidentiality.

The law of confidence protects information against disclosure only. It cannot give protection against reverse engineering or analysis, which may reveal the information to the third party which carries it out.

In *Coco v A N Clark (Eng) Ltd* Megarry J set out the conditions for an action for breach of confidence to lie:

The equitable jurisdiction in cases of breach of confidence is ancient: confidence is the cousin of trust. The Statute of Uses 1535 is framed in terms of ‘use, confidence or trust’; and a couplet, attributed to Sir Thomas More, Lord Chancellor, avers that:
Three things are to be held in Conscience;
Fraud, Accident and things of Confidence. (See 1 Rolle’s Abridgment 374.)
In the middle of the last century, the great case of Prince Albert v Strange (1849) 1 Mac & G 25 reasserted the doctrine. In the case before me, it is common ground that there is no question of any breach of contract, for no contract ever came into existence. Accordingly, what I have to consider is the pure equitable doctrine of confidence, unaffected by contract. Furthermore, I am here in the realms of commerce, and there is no question of any marital relationship such as arose in Duchess of Argyll v Duke of Argyll [1967] Ch 302. Thus limited, what are the essentials of the doctrine?

Of the various authorities cited to me, I have found Saltman Engineering Co Ltd v Campbell Engineering Co Ltd [1948] 65 RPC 203; Terrapin Ltd v Builders’ Supply Co (Hayes) Ltd [1960] RPC 128 and Seager v Copydex Ltd [1967] 1 WLR 923; [1967] RPC 349 of the most assistance. All are decisions of the Court of Appeal.
I think it is quite plain from the Saltman case that the obligation of confidence may exist where, as in this case, there is no contractual relationship between the parties. In cases of contract, the primary question is no doubt that of construing the contract and any terms implied in it. Where there is no contract, however, the question must be one of what it is that suffices to bring the obligation into being; and there is the further question of what amounts to a breach of that obligation.
In my judgment, three elements are normally required if, apart from contract, a case of breach of confidence is to succeed. First, the information itself, in the words of Lord Greene MR in the Saltman case on p 215, must ‘have the necessary quality of confidence about it’. Second, that information must have been imparted in circumstances importing an obligation of confidence. Third, there must be an unauthorised use of that information to the detriment of the party communicating it. I must briefly examine each of these requirements in turn.

First, the information must be of a confidential nature. As Lord Greene said in the Saltman case at p 215, ‘something which is public property and public knowledge’ cannot per se provide any foundation for proceedings for breach of confidence. However confidential the circumstances of communication, there can be no breach of confidence in revealing to others something which is already common knowledge. But this must not be taken too far. Something that has been constructed solely from materials in the public domain may possess the necessary quality of confidentiality: For something new and confidential may have been brought into being by the application of the skill and ingenuity of the human being. Novelty depends on the thing itself, and not upon the quality of its component parts. Indeed, often the more striking the novelty, the more commonplace its components. Mr Mowbray demurs to the concept that some degree of originality is requisite. But whether it is described as originality or novelty or ingenuity or otherwise, I think there must be some product of the human brain which suffices to confer a confidential nature upon the information: and, expressed in those terms, I think that Mr Mowbray accepts the concept.
The difficulty comes, as Lord Denning MR pointed out in the *Seager* case on p 931, when the information used is partly public and partly private; for then the recipient must somehow segregate the two and, although free to use the former, must take no advantage of the communication of the latter. To this subject I must in due course return. I must also return to a further point, namely, that where confidential information is communicated in circumstances of confidence the obligation thus created endures, perhaps in a modified form, even after all the information has been published or is ascertainable by the public; for the recipient must not use the communication as a springboard (see the *Seager* case, pp 931 and 933). I should add that, as shown by *Cranleigh Precision Engineering Ltd v Bryant* [1965] 1 WLR 1293; [1966] RPC 81, the mere simplicity of an idea does not prevent it being confidential (see pp 1309 and 1310). Indeed, the simpler an idea, the more likely it is to need protection.

The second requirement is that the information must have been communicated in circumstances importing an obligation of confidence. However secret and confidential the information, there can be no binding obligation of confidence if that information is blurted out in public or is communicated in other circumstances which negative any duty of holding it confidential. From the authorities cited to me, I have not been able to derive any very precise idea of what test is to be applied in determining whether the circumstances import an obligation of confidence. In the *Argyll* case at p 330, Ungoed-Thomas J concluded his discussion of the circumstances in which the publication of marital communications should be restrained as being confidential by saying, ‘If this was a well-developed jurisdiction doubtless there would be guides and tests to aid in exercising it’. In the absence of such guides or tests he then in effect concluded that part of the communications there in question would on any reasonable test emerge as confidential. It may be that that hard-worked creature, the reasonable man, may be pressed into service once more: for I do not see why he should not labour in equity as well as at law. It seems to me that if the circumstances are such that any reasonable man standing in the shoes of the recipient of the information would have realised that upon reasonable grounds the information was being given to him in confidence, then this should suffice to impose upon him the equitable obligation of confidence. In particular, where information of commercial or industrial value is given on a businesslike basis and with some avowed common object in mind, such as a joint venture or the manufacture of articles by one party for the other, I would regard the recipient as carrying a heavy burden if he seeks to repel a contention that he was bound by an obligation of confidence. See the *Saltman* case at p 216. On that footing, for reasons that will appear, I do not think I need explore this head further. I merely add that I doubt whether equity would intervene unless the circumstances are of sufficient gravity; equity ought not to be invoked merely to protect trivial tittle-tattle, however confidential.

Third, there must be an unauthorised use of the information to the detriment of the person communicating it. Some of the statements of principle in the cases omit any mention of detriment; others include it. At first sight, it seems that detriment ought to be present if equity is to be induced to intervene; but I can conceive of cases where a plaintiff might have substantial motives for
Confidential Information

seeking the aid of equity and yet suffer nothing which could fairly be called
detriment to him, as when the confidential information shows him in a
favourable light but gravely injures some relation or friend of his whom he
wishes to protect. The point does not arise for decision in this case, for
detriment to the plaintiff plainly exists. I need therefore say no more than that
although for the purposes of this case I have stated the proposition in the
stricter form I wish to keep open the possibility of the true proposition being in
the wider form.

In *Thomas Marshall v Guinle* [1979] 1 Ch 227 Megarry VC (as he by then was)
expanded upon the type of information which would be regarded as
confidential:

> It is far from easy to state in general terms what is confidential information or a
trade secret. Certain authorities were cited, but they did not carry matters very
far. Plainly ‘something which is public property and public knowledge’ is not
confidential. See *Saltman Engineering Co Ltd v Campbell Engineering Co Ltd*
(1948) 65 RPC 203, 215, *per* Lord Greene MR. On the other hand, ‘something
that has been constructed solely from materials in the public domain may
possess the necessary quality of confidentiality: for something new and
confidential may have been brought into being by the application of the skill
and ingenuity of the human brain. Novelty depends on the thing itself, and not
upon the quality of its constituent parts’: *Coco v A N Clark (Engineers) Ltd*
[1969] RPC 41, 47, a case that was not cited, but in part draws on the *Saltman*
case, which was. Costs and prices which are not generally known may well
constitute trade secrets or confidential information. See *Herbert Morris Ltd v
Saxelby* [1916] 1 AC 688, 705, referring to prices.

If one turns from the authorities and looks at the matter as a question of
principle, I think (and I say this very tentatively, because the principle has not
been argued out) that four elements may be discerned which may be of some
assistance in identifying confidential information or trade secrets which the
court will protect. I speak of such information or secrets only in an industrial or
trade setting. First, I think that the information must be information the release
of which the owner believes would be injurious to him or of advantage to his
rivals or others. Second, I think the owner must believe that the information is
confidential or secret, *ie* that it is not already in the public domain. It may be
that some or all of his rivals already have the information: but as long as the
owner believes it to be confidential I think he is entitled to try and protect it.
Third, I think that the owner’s belief under the two previous heads must be
reasonable. Fourth, I think that the information must be judged in the light of
the usage and practices of the particular industry or trade concerned. It may be
that information which does not satisfy all these requirements may be entitled
to protection as confidential information or trade secrets: but I think that any
information which does satisfy them must be of a type which is entitled to
protection.

However, the courts will only treat the *Coco v Clark* principles as guidelines,
not hard and fast rules. In *Schering Chemicals v Falkman* [1981] 2 All ER 321 the
Court of Appeal diluted the principle that the information must have the
‘necessary quality of confidentiality.’
Even when the information is no longer confidential, the law must often control what the recipient can use it for. It can be used as a springboard, allowing the recipient to compete more effectively with the proprietor of the information without the need to learn or compile the previously confidential information: Terrapin Ltd v Builders Supply Co (Hayes) Ltd [1960] RPC 128. The matter was dealt with by Megarry J in the Coco case:

Before I turn to the second main head, that of interlocutory relief, I should mention one point on the substantive law that caused me some difficulty during the argument. This is what may be called the ‘springboard’ doctrine. In the Seager case at p 931, Lord Denning quoted a sentence from the judgment of Roxburgh J in the Terrapin case, which was quoted and adopted as correct by Roskill J in the Cranleigh case. It runs as follows:

As I understand it, the essence of this branch of the law, whatever the origin of it may be, is that a person who has obtained information in confidence is not allowed to use it as a springboard for activities detrimental to the person who made the confidential communication, and springboard it remains even when all the features have been published or can be ascertained by actual inspection by any member of the public.

Salmon LJ in the Seager case on p 933 also states:

The law does not allow the use of such information even as a springboard for activities detrimental to the plaintiff.

Quite apart from authority I would recognise the principle enshrined in those words as being salutary. Nevertheless, I am not entirely clear how it is to be put into practical effect in every case. Suppose a case where there is a confidential communication of information which is partly public and partly private; suppose that the recipient of the information adds in confidence ideas of his own, improving the initial scheme; and suppose that the parties then part, with no agreement concluded between them. How is a conscientious recipient of the ideas to comply with the requirements that equity lays upon him? For in the words of Lord Denning at p 931 in the Seager case, he

must take special care to use only the material which is in the public domain. He should go to the public source and get it: or, at any rate, not be in a better position than if he had gone to the public source. He should not get a start over others by using the information which he received in confidence.

Suppose that the only confidential information communicated is that some important component should be made of aluminium instead of steel and with significant variations in its design and dimensions. The recipient knows that this change will transform a failure into success. He knows that, if he had persevered himself, he might have come upon the solution in a week or in a year, yet he is under a duty not to use the confidential information as a springboard or as giving him a start.

What puzzles me is how, as a law-abiding citizen, he is to perform that duty. He could, I suppose, commission someone else to make the discovery anew, carefully abstaining from saying anything to him about aluminium or the design and dimensions which will achieve success; but this seems to me to be
artificial in the extreme. Yet until this step is taken and the discovery made anew, he cannot make use of his own added ideas for the further improvement of the design which he had already communicated in confidence to the original communicator, ideas which would perhaps make a success into a triumph. He cannot build his superstructure as long as he is forbidden to use the foundations. Nor is the original communicator in a much better case. He is free to use his own original idea, which converted failure into success; but he cannot take advantage of the original recipient’s further ideas, of which he knows, until such time as he or someone commissioned by him would, unaided by any coincidence, have discovered them.

For those who are not law-abiding and conscientious citizens there is, I suppose, a simple answer; ignore the duty, use the information, and then pay damages. This may be the course which Lord Denning envisaged in the Seager case: for after stating that the recipient should not get a start over others by using the confidential information, he continued on p 932: ‘At any rate, he should not get a start without paying for it. It may not be a case for injunction or even for an account, but only for damages, depending on the worth of the confidential information to him in saving time and trouble’. I also recognise that a conscientious and law-abiding citizen, having received confidential information in confidence, may accept that when negotiations break down the only honourable course is to withdraw altogether from the field in question until his informant or someone else has put the information into the public domain and he can no longer be said to have any start. Communication thus imposes upon him a unique disability. He alone of all men must for an uncertain time abjure this field of endeavour, however great his interest. I find this scarcely more reasonable than the artificiality and uncertainty of postponing the use of the information until others would have discovered it.

The relevance of the point, I think, is this. If the duty is a duty not to use the information without consent, then it may be the proper subject of an injunction restraining its use, even if there is an offer to pay a reasonable sum for that use. If, on the other hand, the duty is merely a duty not to use the information without paying a reasonable sum for it, then no such injunction should be granted. Despite the assistance of counsel, I feel far from assured that I have got to the bottom of this matter. But I do feel considerable hesitation in expressing a doctrine of equity in terms that include a duty which law-abiding citizens cannot reasonably be expected to perform. In other words, the essence of the duty seems more likely to be that of not using without paying, rather than of not using at all. It may be that in fields other than industry and commerce (and I have in mind the Argyll case) the duty may exist in the more stringent form; but in the circumstances present in this case I think that the less stringent form is the more reasonable. No doubt this matter may be canvassed and resolved at the trial; but on motion, in a case where both the probabilities and the evidence support the view that the fruits of any confidential communication were to sound in monetary compensation to the communicator, I should be slow to hold that it was right to enjoin the defendant company from making any use of the information.
The position of a third party who receives the information may be a difficult matter. In *Fraser v Thames Television* [1983] 2 All ER 101 – the Rock Follies case – Hirst J considered the matter:

The basic principles of the law of confidence are conveniently set out in *Copinger and Skone James on Copyright* (12th edn, 1980) para 71) as follows:

There is broad and developing equitable doctrine that he who has received information in confidence shall not take unfair advantage of it or profit from the wrongful use or publication of it. He must not make any use of it to the prejudice of him who gave it, without paying him for it ... if, therefore, a defendant is proved to have used confidential information, directly or indirectly obtained from a plaintiff, without his consent, express or implied, he will be guilty of an infringement of the plaintiff’s rights.

It is well settled that the obligation of confidence rests not only on the original recipient, but also on any person who received the information with knowledge acquired at the time or subsequently that it was originally given in confidence. See *Copinger and Skone James on Copyright*, para 731.

Counsel for the defendants accepted that as a matter of principle the law of confidence is capable of protecting the confidential communication of an idea. But he argued that a literary or dramatic idea cannot be protected unless it is fully developed in the form of a synopsis or treatment and embodied in permanent form (ie in writing or on film or tape). His argument relied substantially on analogies with the law of copyright.

He further submitted that considerations of legal policy require that anything so ephemeral and so subject to contradictory recollection as an oral idea should not be protected; that such protection would unduly stultify an author’s freedom to develop ideas; and that such protection would be unfair to third parties confronted with rival claims to the origination of an idea, since he says it would be impossible for them to decide which claimant was right in the absence of any written formulation of the idea in question.

Counsel for the defendants further argued that where an idea is capable of development in more than one format (eg situation comedy or drama) it is not entitled to protection.

I consider first the argument by analogy with the law of copyright, which may be summarised as follows. (1) It is trite law that there is no copyright in an idea as such. How anomalous would it be, argued counsel for the defendants, if the originator of an idea was in a better position under the law of confidence than under the law of copyright with its strict time limits and carefully defended limitations. (2) The authorities on the law of copyright clearly establish that a plaintiff can only succeed if his work is in a developed written form. The same, argued counsel for the defendants, should apply in confidence. (3) Decided copyright cases in relation to dramatic works, with particular reference to s 1(2) of the Copyright Act 1911 (now incorporated in s 2 of the Copyright Act 1956) establish that mere reproduction of a plot (ie an idea) is not an infringement.

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2  Sweet & Maxwell.
Infringement only arises if there is substantial reproduction of actual dramatic incidents or situations (Copinger and Skone James on Copyright, paras 539–40).

... It is therefore an essential ingredient of every copyright action that the plaintiff should start with a work in permanent form.

On the other hand, under the general law of confidence, the confidential communication relied on may be either written or oral (see, for example, Seager v Copydex Ltd [1967] 2 All ER 415, [1967] 1 WLR 923).

Copyright is good against the world generally, whereas confidence only protects against those who receive information or ideas in confidence. Although copyright has a fixed (albeit extensive) statutory time limit, and confidence, at all events in theory, no time limit, in practice the obligation in confidence ceases the moment information or idea becomes public knowledge. Furthermore, although the law of copyright protects unpublished as well as published works, it is no part of its purpose to protect confidentiality as such. Indeed s 46(4) of the 1956 Act expressly provides that ‘nothing in this Act shall affect the operation of any rule of equity relating to breaches of ... confidence’.

Of much more assistance are the cases cited by counsel for the defendants which deal directly with breaches of confidence in the field under consideration. In Gilbert v Star Newspapers Co Ltd (1894) 11 TLR 4 Chitty J granted an ex parte injunction restraining the defendants from publishing the plot of Mr WS Gilbert’s comic opera ‘His Excellency’, which was due to open a few days later. It was argued that an actor or employee at the theatre must have communicated the information to the newspaper contrary to an established custom in the theatrical profession that such information was confidential. Chitty J based his decision on the principles of the law of confidence as enunciated in Prince Albert v Strange (1849) 1 Mac & G 25, 41 ER 1171. Counsel for the defendants submitted that this case supported his argument that there must be a written libretto in existence before the law of confidence can apply to such a situation; but there is no indication in the report that the libretto as such was ever passed to the newspaper, and Chitty J did not base his decision on any such consideration. It is, however, noteworthy that the confidential information in Gilbert’s case related to the plot of the opera, which (as the copyright authorities cited above show) would not be protected as such under the law of copyright. This case therefore seems to establish a wider protection under the law of confidence than under the law of copyright.

In Fraser v Edwards [1905–10] Mac G Cop Cas 10 the defendant was held liable for breach of confidence by appropriation of the character, plot and idea from a scenario which had earlier been submitted by the plaintiff to the defendant’s theatre manager. Counsel for the defendants pointed out that this case concerned a fully developed written scenario.

Finally in this group of cases, counsel for the defendants cited the very recent Australian decision of Talbot v General Television Corp Pty Ltd [1981] RPC 1, a case which on the facts has some remarkable similarities with the present case. The judgment reported is that of Harris J at first instance in the Supreme Court of Victoria. The decision was affirmed by the Full Court, but the appellate
decision is not reported, so I am informed either here or in Australia. In this case the plaintiff, a film producer, developed an idea for a television series, which he submitted in the form of a written submission to the defendants. He heard no more about his proposal. The defendants subsequently broadcast the first segment of a series of programmes which they claimed were their own idea, but which the plaintiff claimed were derived from his. The plaintiff sought an injunction on the ground of breach of confidence, and the hearing of the application was treated as the trial of the action. The learned judge found in favour of the plaintiff. He said (at 8–9):

It is clear that an obligation of confidence may exist where there is no contractual relationship between the parties. Where a plaintiff sues, relying upon breach of confidence, he must establish three elements. These are: (1) that the information was of a confidential nature; (2) that the information was communicated in circumstances importing an obligation of confidence; and (3) that there has been an unauthorised use of the information to the detriment of the person communicating it (ie the plaintiff). Those statements of law are taken from the judgment of Megarry J in Coco v A N Clark Engineers Ltd [1969] RPC 41 at 47–48; see also Ansell Rubber Co Pty Ltd v Allied Rubber Industries Pty Ltd [1967] VR 37; Mense and Ampere Electrical Manufacturing Co Pty Ltd v Milenkovic [1973] VR 784 at 800–01; and Deta Nominees Pty Ltd v Viscount Plastic Products Pty Ltd [1979] VR 167. Both counsel agreed that the three elements that I have referred to were the relevant principles to be applied in this case. Mr Gillard (counsel for the defendant) submitted that none of those elements had been established by the plaintiff, and further submitted that, even if they were, there were two other reasons why the plaintiff’s claim should be dismissed. Mr Archibald (counsel for the plaintiff) submitted that the plaintiff had make out his case for relief and that none of the matters raised by Mr Gillard afforded any reason why relief should be denied to the plaintiff. Mr Gillard began by submitting that the information which the plaintiff alleged had been misused by the defendant did not have the necessary quality of confidence. He put it that the plaintiff was seeking to protect an idea for a programme about millionaires, how they succeeded and what viewers could learn from them, and that this was not original. He pointed to evidence that there had been programmes before on the careers of successful men and that it was a usual practice for interviewers to ask such people the secret of their success. He also put it that there was authority for the proposition that there is ‘no property in an idea’ (or in knowledge) and that as all the plaintiff had conveyed to the network was an idea, it was not susceptible of protection. The authorities he referred to were FC of T v United Aircraft Corp (1943) 68 CLR 525 at 534 per Latham CJ and Halsbury, 4th edn, Vol 9, para 829. But the passages referred to deal with the point in different contexts (those of the construction of the word ‘idea’ in a statute and in copyright law) and do not support Mr Gillard’s submission in this case. What Mr Archibald said was that this abstract proposition could only divert one from the real problem, and he referred to what Lord Upjohn said in Boardman v Phipps [1966] 3 All ER 721 at 759, [1967] 2 AC 46 at 127 where his lordship pointed out that ‘the real truth is that it [ie information]
Confidential Information

is not property in any normal sense but equity will restrain its transmission to another if in breach of some confidential relationship’. The real problem, Mr Archibald said, was to decide whether the idea, or concept, had been sufficiently developed. Where it had been developed to the point of setting out a format in which it could be presented, so that it was apparent that the concept could be carried into effect, then, said Mr Archibald, it was something that was capable of being the subject of a confidence. Without deciding that it is always necessary for a plaintiff to go that far, I am satisfied that where a concept or idea has been developed to the stage where the plaintiff had developed his concept, it is capable of being the subject of a confidential communication. The plaintiff had developed his concept so that it would be seen to be a concept which had at least some attractiveness as a television programme and to be something which was capable of being realised as an actuality.

Counsel for the defendants accepted, indeed contended, that the case was rightly decided, and, though not binding on me, I find it of great assistance. He submitted that the decision rested essentially on the fact that the material submitted by the plaintiff included a substantial written submission. See [1981] RPC 1 at 5. However, it is clear that the judge expressly refrained from deciding that any less elaborately worked idea would not qualify for protection.

Counsel for the plaintiffs also accepted the correctness of Talbot’s case. He drew attention to the twist or slant which was held to be original (at 9); and he submitted that this twist or slant was the kernel of the idea to which, he submitted, the written submission added nothing of substance. He also drew attention to the fact that this kernel may have been communicated orally (at 10).

Counsel for the plaintiffs submitted that, as a matter of general principle, an obligation of confidence is implied in law if the communication is made in circumstances where the parties understand the recipient will treat it as confidential. He argued that this arises either (1) where the information or idea is given in a situation where both parties recognise an ethical obligation of confidence or (2) where information or an idea is communicated by one party to another with a view to a possible joint commercial venture or contractual relationship.

So far as ideas specifically are concerned, counsel for the plaintiffs submitted that there is no requirement that the idea must be developed to any particular degree, still less that it must be embodied in writing. He accepted that it must be specific in the sense that it must be clear and identifiable and that it must be original, at least to the extent that it is distinguishable from the ordinary run of ideas in common use. While he accepted it must have potential commercial merit, he argued that there is no requirement that it should have been developed to a state where it was ready for commercial exploitation.

...  

In my judgment there is no reason in principle why an oral idea should not qualify for protection under the law of confidence, provided it meets the other criteria I discuss below. Neither the originality nor the quality of an idea is in
any way affected by the form in which it is expressed. No doubt both the communication and the content of an oral idea may be more difficult to prove than in the case of a written idea, but difficulties of proof should not affect the principle any more than in any other branches of the law where similar problems arise (eg contract and defamation).

I do not accept counsel for the defendants’ argument that this will cause unfairness to third parties, since it is clear that, in order to be fixed with an obligation of confidence, a third party must know that the information was confidential; knowledge of a mere assertion that a breach of confidence has been committed is not sufficient. See *Carl-Zeiss-Stiftung v Herbert Smith & Co (a firm) (No 2)* [1969] 2 All ER 367, [1969] 2 Ch 276.

Nor do I accept counsel for the defendants’ argument that an idea which is capable of development in more than one format is not entitled to protection. In my judgment the precise format is a matter for the writer to decide, and the fact that it is developable in more than one format in no way diminishes its intrinsic value.

I accept that to be capable of protection the idea must be sufficiently developed so that it would be seen to be a concept which has at least some attractiveness for a television programme and which is capable of being realised as an actuality (see per Harris J in *Talbot’s case* [1981] RPC 1 at 9). But I do not think this requirement necessitates in every case a full synopsis. In some cases the nature of the idea may require extensive development of this kind in order to meet the criteria. But in others the criteria may be met by a short unelaborated statement of an idea. In *Talbot’s case* itself I do not think the detailed submission (at 5) added very much of substance to the idea which is set out in one sentence (also at 5).

Unquestionably, of course, the idea must have some significant element of originality not already in the realm of public knowledge. The originality may consist in a significant twist or slant to a well-known concept (see *Talbot’s case*). This is, I think, by analogy, consistent with the statements in *Saltman’s case* and *Coco’s case* that novelty in the industrial field can be derived from the application of human ingenuity to well-known concepts.

To the best of my recollection, every witness in the theatre or television business on both sides agreed that if he or she received an idea from another it would be wrong to make use of it without the consent of the communicator. They of course were expressing their views in the context of a moral usage in their profession rather than of a strict legal obligation. However, the authorities, and in particular *Saltman’s case* per Somervell LJ and Marshall’s case, strongly support counsel for the plaintiff’s argument that the existence of such a usage is a factor of considerable force in deciding whether a legal obligation exists. I think the law as laid down in the authorities I have cited clearly establishes that the obligation which the witnesses saw as moral is in fact also legal in character.

This of course does not mean that every stray mention of an idea by one person to another is protected. To succeed in his claim the plaintiff must establish not only that the occasion of communication was confidential, but also that the content of the idea was clearly identifiable, original, of potential
commercial attractiveness and capable of being realised in actuality. With these limitations, I consider there is no basis for the fears of counsel for the defendants that authors’ freedom to develop ideas will be unduly stultified.

**Professional advisers**

Professional advisers are under an implied duty to respect the confidentiality of information given to them by their clients. Information revealed in business meetings is also subject to an implied obligation, provided that a reasonable person would realise that it was not just being given away. Where a confidential disclosure occurs, it is possible (and often sensible) to record the fact and the terms in writing afterwards.

**Employees**

Employees will commonly have confidential information in their possession (often in their heads). The employment relationship implies a duty to keep such information confidential, and employment contracts often also contain express provisions. The employer will have to consider how to protect this information without interfering with the employee’s freedom to pursue their career.

(a) Current employees

Current employees are under a duty not to disclose confidential information acquired during or as a result of their employment. There is an implied duty of fidelity even if one is not imposed in the contract of employment.

Employees are also bound to disclose to their employers relevant information which comes into their possession.

The employer has no right to control an employee’s ‘skill and dexterity, manual or mental ability’ or ‘information which is part of the workman himself’. Such information belongs to the employee.

(b) Former employees

To the employer, the departing employee is (as one book on the subject puts it) ‘confidential information personified’. Great care should be taken if the departing employee is likely to be in possession of information which the employer considers confidential and which it does not want to see disclosed.

An ex-employee has every right to compete with the former employer (subject to express covenants in the contract of employment, of course). However, this does not extend to a right to carry away trade secrets. The fact that here is no express agreement restricting the right of an employee to use trade secrets after the employment relationship is terminated does not imply that the information can be freely used.
The scope of the employee’s obligation of confidentiality was considered by the Court of Appeal in *Faccenda Chicken v Fowler* [1986] Ch 117; [1986] FSR 291; [1986] 1 All ER 617; [1986] 3 WLR 288. The judgment of the court was read by Neill LJ:

In these two appeals it will be necessary to consider the interaction of three separate legal concepts:

(1) The duty of an employee during the period of his employment to act with good faith towards his employer: this duty is sometimes called the duty of fidelity.

(2) The duty of an employee not to use or disclose after his employment has ceased any confidential information which he has obtained during his employment about his employer’s affairs.

(3) The *prima facie* right of any person to use and to exploit for the purpose of earning his living all the skill, experience and knowledge which he has at his disposal, including skill, experience and knowledge which he has acquired in the course of previous periods of employment.

The two appeals are against the orders of Goulding J dated 8 November 1983, whereby he rejected the claims by Faccenda Chicken Ltd (‘Faccenda’) that the respondents to the appeals had improperly used confidential information obtained during their employment by Faccenda and had conspired together to injure Faccenda.

The events which give rise to the claims which are the subject-matter of these appeals are set out with admirable clarity in the judgment of Goulding J. We propose therefore from time to time in the course of this judgment to adopt passages from the judge’s recital of the facts. In this case such a course is particularly appropriate because we were not referred to any transcript of the evidence, and both sides accepted before us that, for the purpose of ascertaining any matter of fact, we should not look beyond the judge’s judgment.

Faccenda carries on the business of breeding, rearing, slaughtering and selling chickens. Faccenda’s premises are at Brackley in the county of Northampton. The chickens are sold as fresh chickens which means that, though after being slaughtered they are chilled in refrigerators until sale, they are not actually frozen. At all material times Mr Robin Michael Faccenda has been the chairman and managing director of Faccenda Chicken Ltd. In about 1973 Faccenda Chicken Ltd engaged Mr Barry Fowler (the first respondent) as sales manager.

The judge described the subsequent development of the business of Faccenda Chicken Ltd in these terms:

At that time [that is, 1973], and for some time afterwards, the company sold its chickens to wholesalers, and did not approach retailers directly. Mr Fowler, who is agreed to be a businessman of considerable ability, proposed to Mr Faccenda the establishment of what he called a van sales operation, whereby itinerant refrigerated vehicles would daily offer fresh chickens to such traders as butchers, supermarkets and catering establishments. Starting at first in a small way, Mr Fowler built up this
branch of the business until it came to represent a substantial part, though always the smaller part, of the company’s trade. There were in all ten refrigerated vehicles, each driven by a salesman and travelling in a particular sector of the Midlands. The sectors radiated in different directions from Brackley in Northamptonshire, where Faccenda Chicken Ltd has its factory. Each salesman followed a different round within his sector on each of the five working days of the week, some customers receiving a call once a week and others twice a week according to their requirements and the possibilities of the van sales organisation. Thus, the whole operation was based on 50 journeys or rounds, one for each vehicle on each working day of the week. The journeys were, of course, not rigidly fixed, but variable from time to time as particular customers were gained or lost or their requirements changed. It is clear from the evidence that the weekly standing orders of customers were not contractually binding on them. The evidence shows in my judgment that each customer was freely permitted to take less than his standing order when the salesman called, or to increase, or vary the composition of his order if the goods he wanted on the particular day were available in the van when it called. Firm orders were placed on special occasions or by large customers by telephoning to the office of Faccenda Chicken Ltd at Brackley, but the van salesman played no part in their negotiation.

It seems clear that by 1980 the van sales operation was prospering. The average weekly profit for the period, which covered approximately the second half of 1980, was about £2,500.

On 11 December 1980, however, Mr Fowler was arrested, together with another man, on a charge of stealing some of Faccenda Chicken Ltd’s chickens. Mr Fowler resigned immediately as sales manager, and, though at his trial in September 1981 he was acquitted of the charge of theft, his work at Faccenda Chicken Ltd was at an end. During the early part of 1981 Mr Fowler considered the purchase of a hotel in Cornwall, but the project fell through. Shortly afterwards he decided to set up his own business of selling fresh chickens from refrigerated vehicles. This business was to be carried on in the Brackley area. Though he had no source of supply under his own control, there was no shortage of fresh chickens available for bulk purchase.

In about May 1981 Mr Fowler advertised for employees under a box number in a local newspaper. As a result of this advertisement eight employees of Faccenda Chicken Ltd applied to join Mr Fowler’s new organisation. This was not surprising, because, although a box number was used, the eight employees knew of Mr Fowler’s intentions before the advertisement appeared.

The applications were successful: Mr Fowler was pleased to be able to obtain staff whom he knew to be experienced and competent and who had worked with him before. In the course of the next few weeks the eight employees, consisting of a supervisor (Mr Finch), five van salesmen (that is half the van salesmen then employed by Faccenda Chicken Ltd) and two ladies who had been employed in the offices of Faccenda Chicken Ltd, gave notice and joined Mr Fowler. The new business started its operations on 6 July 1981 although Mr Fowler’s company (Fowler Quality Poultry Products Ltd) was not incorporated until August.
The loss of such a high proportion of their experienced staff had a serious effect on Faccenda Chicken Ltd. Indeed, ever since Mr Fowler had left at the end of 1980, the operations of the van sales division of Faccenda Chicken Ltd had been much less profitable, and after July 1981 the position deteriorated further. Mr Faccenda, not surprisingly, was dismayed by what had happened, and on 10 September 1981, the date (it seems) of Mr Fowler’s acquittal, an action was started by Faccenda Chicken Ltd in the Chancery Division against Mr Fowler and his company and the eight former employees of Faccenda Chicken Ltd.

In these proceedings two alleged causes of action were relied on:

a) breaches of implied terms of the contracts of employment that the nine employees would faithfully serve Faccenda Chicken Ltd and would not use confidential information and/or trade secrets obtained by them and each of them whilst in [Faccenda Chicken Ltd’s] employment to the disadvantage or detriment of [Faccenda Chicken Ltd], whether during the currency of such employment or after its cessation.

(b) an unlawful conspiracy ‘together to injure [Faccenda’s] goodwill and connection by unlawfully making use of the said confidential information and/or trade secrets of [Faccenda] obtained by the individual defendants whilst in [Faccenda’s] employment.

A year later, on 16 September 1982, Mr Fowler issued a writ in the Queen’s Bench Division claiming nearly £23,000 in respect of commission which he said was due to him. In these proceedings Faccenda Chicken Ltd served a counterclaim which in effect repeated the allegations of breaches of contract and conspiracy and also included a claim for £435 in respect of the chickens which it was said Mr Fowler had wrongly converted in 1980 and which had been the subject-matter of the criminal proceedings in which Mr Fowler had been acquitted. The Queen’s Bench action was transferred to the Chancery Division in March 1983.

On 27 June 1983 the two actions came on for hearing together before Goulding J. After a hearing lasting 39 days, the judge, in a reserved judgment delivered on 8 November 1983, dismissed the claims by Faccenda Chicken Ltd for damages for breach of contract and for conspiracy. At the same time he gave judgment for Mr Fowler for £15,316 in respect of his claim for commission and interest after making a deduction in respect of the amount claimed by Faccenda Chicken Ltd in conversion, where a sum was conceded by way of set-off without an admission of liability.

At the trial the claims for injunctions which had been included in the writ in the Chancery action were not pursued owing to the lapse of time. An injunction had been granted and certain undertakings had been given at an interlocutory stage, but it is not necessary for us to make any further reference to these matters, as it is agreed that the interlocutory orders have no relevance to the issues now before the court. Moreover, we need only make passing reference to the fact that at the trial a substantial amount of time was taken to deal with allegations put forward on behalf of Faccenda Chicken Ltd to the effect that documents in the possession of some of the employees during the period of their employment had been wrongfully used or copied. The judge
came to the conclusion that none of these allegations had been satisfactorily proved. We can therefore concentrate our attention on the matters round which the argument before us principally revolved.

The main case put forward on behalf of Faccenda Chicken Ltd before Goulding J, and the only factual basis for the claims relied on before us, was that Mr Fowler and the other former employees of Faccenda as well as the new Fowler company had wrongfully made use of confidential information which Mr Fowler and his colleagues had acquired while in the employment of Faccenda Chicken Ltd.

This information, which was described by the judge compendiously as ‘the sales information’, can be listed under five headings:

1. the names and addresses of customers;
2. the most convenient routes to be taken to reach the individual customers;
3. the usual requirements of individual customers, both as to quantity and as to quality;
4. the days of the week and the time of day when deliveries were usually made to individual customers;
5. the prices charged to individual customers.

It was submitted on behalf of Faccenda Chicken Ltd that this sales information could be regarded as a package which, taken as a whole, constituted ‘confidential information’ which could not be used to the detriment of Faccenda Chicken Ltd.

In addition, however, particular attention was directed to the prices charged to individual customers because, it was submitted, information as to prices was itself ‘confidential information’ quite apart from the fact that such information formed a constituent element of the package of sales information. Thus our attention was drawn to the following passage in the judgment:

Counsel for Faccenda Chicken Ltd, in the course of evidence and argument, paid special attention to the importance of knowing the prices paid by the respective customers ... There has been much controversy regarding the extent to which one trader’s prices are generally known to his rivals in the fresh chicken market. I find that an experienced salesman acquires a good idea of the prices obtained by his employee’s competitors, but usually such knowledge is only approximate; and in this field accurate information is valuable, because a difference of even a penny a pound may be important.

It was further said on behalf of Faccenda Chicken Ltd that by wrongfully making use of this confidential sales information Mr Fowler and his colleagues had seriously damaged Faccenda Chicken Ltd’s business. We understand that at the trial it was suggested that the damages amounted to no less than about £180,000, though it may be noted that the judge concluded that, even if he had decided the issue of liability in favour of Faccenda Chicken Ltd, he would have assessed the damages at £5,000. In his judgment Goulding J dealt with the allegations made by Faccenda Chicken Ltd in these terms:
A great deal of documentary and oral evidence was devoted to the description and analysis of the trading activities both of the Fowler business and of Faccenda Chicken Ltd during the weeks (and especially the first week) that followed the commencement of the former. Faccenda Chicken Ltd claims that it was the particular target of the operation. It alleges that Mr Fowler and his confederates deliberately arranged to call on its customers on the same days of the week as its own salesmen, and generally at a somewhat earlier hour. It is also strongly contended that the defendants pursued a deliberate policy of undercutting Faccenda prices. I regard these allegations as greatly exaggerated. It is certainly true that the majority of the customers of the new business had previously been customers of Faccenda Chicken Ltd, and that in many (though not all) cases they ceased to be so. It is difficult to know what significance to attach to this fact without knowing to what extent Faccenda Chicken Ltd had acquired the whole of the available market in the larger towns within a radius of, say, 50 miles from Brackley. My impression is that a large proportion of the relevant retailers were bulk buying Faccenda chickens, many others also purchasing chickens (probably of lower quality) from one or more of Faccenda’s competitors. As to the timing of calls on customers, it was inevitable that the Fowler salesmen should use the knowledge of customers’ requirements that they had acquired as Faccenda salesmen, but I do not find that routes and times were deliberately planned and organised in the comprehensive way that Faccenda Chicken Ltd would have me believe.

As to undercutting, I accept the defendants’ explanation of their pricing policy. It was to obtain a minimum gross profit on chickens of 4p per pound. Prices yielding a lower profit were quoted as a temporary inducement, or introductory offer, for a period of two or three weeks to potential customers thought to be of value. They were also accepted when it was necessary, at the approach of the weekend, to get rid of perishable stock in danger of deterioration. The result, in cases where a fair comparison can be made, is that Fowler prices generally undercut Faccenda prices, but there are also many examples where they were the same or higher.

It was argued in this court on behalf of the defendants that by accepting their explanation of their pricing policy the judge was in effect making a finding that they had not made use of their knowledge of the prices charged to individual customers of Faccenda Chicken Ltd when fixing the prices they would charge the same individuals after they had become customers of the new Fowler company. We are unable to accept this argument.

It seems to us to be clear from reading the judgment as a whole that the judge accepted that, to a greater or less extent, all the constituent elements of the sales information had been made use of for the purpose of the Fowler business. Furthermore, in the passages in his judgment in which he applied the principles of law to the facts of the case we can find no indication whatever that he intended to exclude the information about prices from the rest of the sales information of which the defendants had made use.
Confidential Information

Accordingly, we propose to consider the matter on the basis that the defendants made use of the sales information for the purpose of the Fowler business and that this information included information about prices charged to individual Faccenda Chicken Ltd customers.

The judge came to the conclusion that, though use had been made by the defendants of the sales information, such use did not involve any breaches of contract by them or provide evidence of an actionable conspiracy. In this court counsel for Faccenda Chicken Ltd criticised this conclusion on two broad grounds:

(1) that the judge had misdirected himself in law as to the relevant principles to be applied to the use by an employee of information acquired during his employment; and

(2) that in any event, in the circumstances of the case and on the findings of the judge, the sales information as a whole, or, alternatively, the information about prices, was confidential information or a trade secret which could not be used by the defendants to the detriment of Faccenda Chicken Ltd.

We propose to come first to consider the submission that the judge misdirected himself in law. It will be convenient if we start by setting out some of the passages in his judgment in which Goulding J dealt with the law. He said:

Let me now deal with the alleged abuse of confidential information. I must make it clear that anything I say about the law is intended to apply only to cases of master and servant. In my view information acquired by an employee in the course of this service, and not the subject of any relevant express agreement, may fall as regards confidence into any of three classes. First there is information which, because of its trivial character or its easy accessibility from public sources of information, cannot be regarded by reasonable persons or by the law as confidential at all. The servant is at liberty to impart it during his service or afterwards to anyone he pleases, even his master’s competitor. An example might be a published patent specification well known to people in the industry concerned ... Second, there is information which the servant must treat as confidential, either because he is expressly told it is confidential, or because from its character it obviously is so, but which once learned necessarily remains in the servant’s head and becomes part of his own skill and knowledge applied in the course of his master’s business. So long as the employment continues, he cannot otherwise use or disclose such information without infidelity and therefore breach of contract. But when he is no longer in the same service, the law allows him to use his full skill and knowledge for his own benefit in competition with his former master; and ... there seems to be no established distinction between the use of such information where its possessor trades as a principal, and where he enters the employment of a new master, even though the latter case involves disclosure and not mere personal use of the information. If an employer wants to protect information of this kind, he can do so by an express stipulation restraining the servant from competing with him (within reasonable limits of time and space) after the termination of his employment.
The judge then referred, by way of examples of this type of information, to the information about a manufacturing process which was in issue in *United Indigo Chemical Co Ltd v Robinson* (1932) 49 RPC 178 and to the trade information in *E Worsley & Co Ltd v Cooper* [1939] 1 All ER 290.

Goulding J continued:

Third, however, there are, to my mind, specific trade secrets so confidential that, even though they may necessarily have been learned by heart and even though the servant may have left the service, they cannot lawfully be used for anyone’s benefit but the master’s. An example is the secret process which was the subject-matter of *Amber Size and Chemical Co Ltd v Menzel* [1913] 2 Ch 239.

Having explained his threefold classification of information, the judge then applied the law to the facts. He said:

In my judgment the sales information relied on by Faccenda Chicken Ltd in the Chancery action falls into my second class, and cannot be protected in the absence of an express restrictive stipulation. The defendants being free to compete with Faccenda Chicken Ltd and to solicit its customers, it is impossible, in my judgment, to say they must not use their own knowledge of the whereabouts and requirements of those customers, the prices they have been paying, and the routes by which they are conveniently visited.

Counsel for Faccenda Chicken Ltd made a number of criticisms of the judge’s formulation of the law. We can summarise the most important of these criticisms as follows:

(a) that the judge erred in law in holding that there were two classes or categories of confidential information which an employee might acquire in the course of his service; there was only one such class or category. Confidential information remained confidential even after the employee had left the employer’s service;

(b) that the law of confidence relating to employees was merely a branch of the general law of confidence, and, although the obligations of an employee were based on an implied term of the contract of service, this was immaterial because the scope of the implied term was co-extensive with the obligations imposed by equity on a person to whom confidential information was entrusted in circumstances where no contract existed between the parties;

(c) that the judge erred in law in holding that confidential information in his second class could be protected by a restrictive covenant. It was plain, it was submitted, that a restrictive covenant would not be enforced unless the protection sought was reasonably necessary to protect a trade secret or to prevent some personal influence over customers being abused in order to entice them away. See *Herbert Morris Ltd v Saxelby* [1916] 1 AC 688 at 709, *per* Lord Parker of Waddington;

(d) That, although some of the information, for example the names and addresses of customers, could not by itself be treated as confidential, the sales information did constitute confidential information when looked at as a whole;
(e) that in any event information about the prices charged to individual customers was confidential information;

(f) that a clear distinction could be drawn between the skill and general knowledge of a trade or business which an employee might acquire in the course of his employment and which he was entitled to use in subsequent employment, and the special knowledge of a former employer’s business which the employee could not use thereafter. In support of this proposition and of the special importance of prices, we were referred to the judgment of Farwell LJ in *Sir W C Leng & Co Ltd v Andrews* [1909] 1 Ch 763, where in a formulation of principle (which was subsequently approved by Lord Atkinson in *Herbert Morris Ltd v Saxelby* (above)) he said:

To acquire the knowledge of the reasonable mode of general organisation and management of a business of this kind, and to make use of such knowledge, cannot be regarded as a breach of confidence in revealing anything acquired by reason of a person having been in any particular service although the person may have learnt it in the course of being taught his trade; but it would be a breach of confidence to reveal trade secrets, such as prices, etc or any secret process or things of a nature which the man was not entitled to reveal.

Reference was also made to the judgment of Megarry VC in *Thomas Marshall (Exports) Ltd v Guinle* [1979] Ch 227 at 248 where he said: ‘Costs and prices which are not generally known may well constitute trade secrets or confidential information’.

In the course of his submissions in support of the appeal, counsel for Faccenda Chicken Ltd took us on an instructive and valuable tour of many of the cases dealing with the law of confidence in the context of the relationship between employer and employee and also referred us to some of the cases on restrictive covenants.

It is not necessary, however, for us for the purpose of this judgment to travel this ground again. It is sufficient to set out what we understand to be the relevant principles of law. Having considered the cases to which we were referred, we would venture to state these principles as follows:

1. Where the parties are, or have been, linked by a contract of employment, the obligations of the employee are to be determined by the contract between him and his employer. See *Vokes Ltd v Heather* [1979] Ch 227 at 141.

2. In the absence of any express term, the obligations of the employee in respect of the use and disclosure of information are the subject of implied terms.

3. While the employee remains in the employment of the employer the obligations are included in the implied term which imposes a duty of good faith or fidelity on the employee. For the purpose of the present appeal it is not necessary to consider the precise limits of this implied term, but it may be noted:

   (a) that the extent of the duty of good faith will vary according to the nature of the contract (see *Vokes Ltd v Heather*);
(b) that the duty of good faith will be broken if an employee makes or
copies a list of the customers of the employer for use after his
employment ends or deliberately memorises such a list, even though,
except in special circumstances, there is no general restriction on an ex-
employee canvassing or doing business with customers of his former
employer (see *Robb v Green* [1895] 2 QB 315, [1895–99] All ER Rep 1053

(4) The implied term which imposes an obligation on the employee as to his
conduct after the determination of the employment is more restricted in its
scope than that which imposes a general duty of good faith. It is clear that
the obligation not to use or disclose information may cover secret
processes of manufacture such as chemical formulae (see *Amber Size and
Chemical Co Ltd v Menzel* [1913] 2 Ch 239), or designs or special methods of
construction (see *Reid and Sigrist Ltd v Moss and Mechanism Ltd* (1932) 49
RPC 461), and other information which is of a sufficiently high degree of
confidentiality as to amount to a trade secret.

The obligation does not extend, however, to cover all information which is
given to or acquired by the employee while in his employment, and in
particular may not cover information which is only ‘confidential’ in the
sense that an unauthorised disclosure of such information to a third party
while the employment subsisted would be a clear breach of the duty of
good faith.

This distinction is clearly set out in the judgment of Cross J (as he then
was) in *Printers and Finishers Ltd v Holloway* [1965] RPC 659, [1964] 1 All ER
731, [1965] WLR 1, where he had to consider whether an ex-employee
should be restrained by injunction from making use of his recollection of
the contents of certain written printing instructions which had been made
available to him when he was working in his former employers’ flock
printing factory. In his judgment, delivered on 29 April 1964 (not reported
on this point in the Weekly Law Reports), Cross J said [1965] RPC 253:

>In this connection one must bear in mind that not all information
which is given to a servant in confidence and which it would be a
breach of his duty for him to disclose to another person during his
employment is a trade secret which he can be prevented from using for
his own advantage after the employment is over, even though he has
entered into no express covenant with regard to the matter in hand.

For example, printing instructions were handed to [the first defendant]
to be used by him during his employment exclusively for the plaintiffs’
benefit. It would have been a breach of duty on his part to divulge any
of the contents to a stranger while he was employed, but many of these
instructions are not really ‘trade secrets’ at all. [The first defendant]
was not, indeed, entitled to take a copy of the instructions away with
him; but in so far as the instructions cannot be called ‘trade secrets’ and
he carried them in his head, he is entitled to use them for his own
benefit or the benefit of any future employer.

The same distinction is to be found in *E Worsley & Co Ltd v Cooper* [1939] 1
All ER 290, where it was held that the defendant was entitled, after he had
ceased to be employed, to make use of his knowledge of the source of the paper supplied to his previous employer. In our view it is quite plain that this knowledge was nevertheless ‘confidential’ in the sense that it would have been a breach of the duty of good faith for the employee, while the employment subsisted, to have used it for his own purposes or to have disclosed it to a competitor of the employer.

(5) In order to determine whether any particular item of information falls within the implied term so as to prevent its use or disclosure by an employee after his employment has ceased, it is necessary to consider all the circumstances of the case. We are satisfied that the following matters are among those to which attention must be paid:

(a) The nature of the employment. Thus employment in a capacity where ‘confidential’ material is habitually handled may impose a high obligation of confidentiality because the employee can be expected to realise its sensitive nature to a greater extent than if he were employed in a capacity where such material reaches him only occasionally or incidentally.

(b) The nature of the information itself. In our judgment the information will only be protected if it can properly be classed as a trade secret or as material which, while not properly to be described as a trade secret, is in all the circumstances of such a highly confidential nature as to require the same protection as a trade secret *eo nomine*. The restrictive covenant cases demonstrate that a covenant will not be upheld on the basis of the status of the information which might be disclosed by the former employee if he is not restrained unless it can be regarded as a trade secret or the equivalent of a trade secret. See, for example, *Herbert Morris Ltd v Saxelby* (ibid) per Lord Parker at 710; and *Littlewoods Organisation Ltd v Harris* [1977] 1 WLR 1472, 1484, *per* Megaw LJ.

We must therefore express our respectful disagreement with the passage in Gould J’s judgment where he suggested that an employer can protect the use of information in his second category, even though it does not include either a trade secret or its equivalent by means of a restrictive covenant. As Lord Parker made clear in *Herbert Morris v Saxelby* at 709, in a passage to which counsel for Faccenda drew our attention, a restrictive covenant will not be enforced unless the protection sought is reasonably necessary to protect a trade secret or to prevent some personal influence over customers being abused in order to entice them away.

In our view the circumstances in which a restrictive covenant would be appropriate and could be successfully invoked emerge very clearly from the words used by Cross J in *Printers and Finishers Ltd v Holloway* at p 256 (in a passage quoted later in his judgment by Goulding J:

If [the managing director] is right in thinking that there are features in his process which can fairly be regarded as trade secrets and which his employees will inevitably carry away with them in their heads, then the proper way for the plaintiffs to protect themselves would be by exacting covenants from their employees
restricting their field of activity after they have left their employment, not by asking the court to extend the general equitable doctrine to prevent breaking confidence beyond all reasonable bounds. It is clearly impossible to provide a list of matters which will qualify as trade secrets or their equivalent. Secret processes of manufacture provide obvious examples, but innumerable other pieces of information are capable of being trade secrets, though the secrecy of some information may be only short-lived. In addition, the fact that the circulation of certain information is restricted to a limited number of individuals may throw light on the status of the information and its degree of confidentiality.

(c) Whether the employer impressed on the employee the confidentiality of the information. Thus, though an employer cannot prevent the use or disclosure merely by telling the employee that certain information is confidential, the attitude of the employer towards the information provides evidence which may assist in determining whether or not the information can properly be regarded as a trade secret. It is to be observed that in *E Worsley & Co Ltd v Cooper* [1939] 1 All ER 290 Morton J attached significance to the fact that no warning had been given to the defendant that the source from which the paper came was to be treated as confidential.

(d) Whether the relevant information can be easily isolated from other information which the employee is free to use or disclose. In *Printers and Finishers Ltd v Holloway* [1964] 1 All ER 736, [1965] 1 WLR 6, [1965] RPC 256 Cross J considered the protection which might be afforded to information which had been memorised by an ex-employee. He put on one side the memorising of a formula or a list of customers or what had been said (obviously in confidence) at a particular meeting, and continued:

The employee might well not realise that the feature or expedient in question was in fact peculiar to his late employer’s process and factory; but even if he did, such knowledge is not separable from his general knowledge of the flock-printing process and his acquired skill in manipulating s flock-printing plant, and I do not think that any man of average intelligence and honesty would think that there was anything improper about him putting his memory of particular features of his late employer’s plant at the disposal of his new employer.

For our part we would not regard the separability of the information in question as being conclusive, but the fact that the alleged ‘confidential’ information is part of a package and that the remainder of the package is not confidential is likely to throw light on whether the information in question is really a trade secret.

These then are the principles of law which we consider to be applicable to a case such as the present one. We would wish to leave open, however, for further examination on some other occasion the question
whether additional protection should be afforded to an employer
where the former employee is not seeking to earn his living by making
use of the body of skill, knowledge and experience which he has
acquired in the course of his career, but is merely selling to a third
party information which he acquired in confidence in the course of his
former employment.

We turn now to the facts of the instant case.

It will be remembered that the case for Faccenda was that Mr Fowler and the
other defendants were in breach of an implied term of their contracts of
employment in using or disclosing the sales information that they had
acquired while in the employment of Faccenda Chicken Ltd or, alternatively,
that they were in breach of this implied term by using or disclosing their
knowledge of the prices charged by Faccenda Chicken Ltd to individual
customers. It will also be remembered that the sales information contained five
elements: the names and addresses of customers; the most convenient routes to
be taken to reach the individual customers; the usual requirements of
individual customers; the days of the week and the times of day when
deliveries were made to individual customers; and the prices charged to
individual customers.

Counsel for Faccenda was prepared to concede that, if these pieces of
information were looked at separately, some of them did not constitute
confidential information at all. Thus he accepted that Mr Fowler and the other
defendants were entitled to make use of any recollection they might have of
the names and addresses of Faccenda customers as well as of the most
convenient routes by which the premises of such customers could be reached.
Moreover, we did not understand him to argue otherwise than rather faintly
that Mr Fowler and the other defendants would have been in breach of
contract if they had merely made use of their knowledge of the usual
requirements of Faccenda customers or of the times when deliveries were
made to them.

The central plank of the argument of counsel for Faccenda was that any
information about the prices charged to individual Faccenda Chicken Ltd
customers was confidential, and that, as this information about prices formed
part of the package of sales information, the package taken as a whole was
confidential too. It is therefore necessary to consider the information about
prices more closely. It seems clear that, apart from the fact that the three main
groups of customers, butchers, chains of shops and catering establishments,
were charged slightly different prices, there were a number of individual
variations inside these groups to take account, no doubt, of such matters as the
size of the orders placed and the length of time that the traders concerned had
been customers. It was this information, submitted counsel for Faccenda,
which was confidential.

Counsel relied in particular on the following passage in the judgment of
Goulding J:

I find that an experienced salesman quickly acquires a good idea of the
prices obtained by his employer’s competitors, but usually such
knowledge is only approximate; and in this field accurate information is valuable, because a difference of even a penny a pound may be important. He also relied on the references to the confidentiality of prices in the three authorities which we have already mentioned.

We find ourselves unable to accept the submissions of counsel for Faccenda either as to the information about prices or as to the sales information as a whole. We can well appreciate that in certain circumstances information about prices can be invested with a sufficient degree of confidentiality to render that information a trade secret or its equivalent. The price put forward in a tender document is an obvious example. But there may be many other cases where the circumstances show that a price or prices are matters of great importance and highly confidential.

Information about the price to be charged for a new model of a car or some other product or about the prices negotiated for various grades of oil in a highly competitive market in which it is known that prices are to be kept secret from competitors occur to us as providing possible further instances of information which is entitled to protection as having the requisite degree of confidentiality.

But in the present case the following factors appear to us to lead to the clear conclusion that neither the information about prices nor the sales information as a whole had the degree of confidentiality necessary to support Faccenda’s case. We would list these factors as follows:

1. the sales information contained some material which Faccenda conceded was not confidential if looked at in isolation;
2. the information about the prices was not clearly severable from the rest of the sales information;
3. neither the sales information in general, nor the information about the prices in particular, though of some value to a competitor, could reasonably be regarded as plainly secret or sensitive;
4. the sales information, including the information about prices, was necessarily acquired by the defendants in order that they could do their work. Moreover, as the judge observed in the course of his judgment, each salesman could quickly commit the whole of the sales information relating to his own area to memory;
5. The information was generally known among the van drivers who were employees, as were the secretaries, at quite junior level. This was not a case where the relevant information was restricted to senior management or to confidential staff;
6. There was no evidence that Faccenda had ever given any express instructions that the sales information or the information about prices was to be treated as confidential.

We are satisfied that, in the light of all the matters set out by the judge in his judgment, neither the sales information as a whole nor the information about prices looked at by itself fell within the class of confidential information which an employee is bound by an implied term of his contract of employment or otherwise not to use or disclose after his employment has come to an end.
Accordingly these appeals must be dismissed.

So, as far as outgoing employees are concerned, the obligation extends only to trade secrets. This approach was endorsed in *Lansing Linde Ltd v Kerr* [1991] 1 WLR 251. The Court of Appeal (Staughton LJ) held that this approach was correct, endorsing the judgment in Faccenda but not the limits placed by the Court of Appeal on Goulding J’s second definition of the subject-matter of the restriction.

Goulding J at first instance had defined three classes of information: (1) information which, because of its trivial character or its easy accessibility from public sources of information, cannot be regarded by reasonable persons or by the law as confidential at all; (2) information which the servant must treat as confidential ... but which once learned reasonably remains in the servant’s head and becomes part of his skill and knowledge; (3) specific trade secrets so confidential that, even though the servant may have left the service, they cannot lawfully be used for anyone’s benefit but the master’s ...

It appears to me that the problem is one of definition: what are trade secrets, and how do they differ (if at all) from confidential information? Mr Poulton suggested that a trade secret is information which, if disclosed to a competitor, would be liable to cause real (or significant) harm to the owner of the secret. I would add first, that it must be information used in a trade or business, and second, that the owner must limit the dissemination of it or at least not encourage or permit widespread publication ... It can thus include not only secret formulae for the manufacture of products but also, in an appropriate case, the names of customers and the goods which they buy. But some may say that not all such information is a trade secret in ordinary parlance. If that view be adopted, the class of information which can justify a restriction is wider, and extends to some confidential information which would not ordinarily be called a trade secret.

**Restrictive covenants**

Restrictive covenants in employment contracts can include an explicit prohibition on using confidential information, which might not be covered by the fiduciary duty.

A covenant could prevent an employee from joining a specified competitor for a period of say a year or restrain the employee from competing in a specified geographical area. Such restrictions must be reasonable in all the circumstances, since the doctrine of restraint of trade will prevent the imposition of unreasonable restrictions. The restriction must therefore be reasonable both in geographical extent and in time. A standard covenant in an employment contract might read:

1. The Employee shall not for a period of six months after the termination of this agreement whether by effluxion of time or in any other way whatsoever canvass business (of the type carried out at the date of
termination by the Company) on behalf of himself or any other person or persons or company within the UK from any person firm or company who at the date of termination is a customer of or is in the habit of dealing with the Company except that if employed by another person firm or company (‘the Employer’) he shall be entitled to solicit business from any person firm or company who at the date of termination is a customer of or is in the habit of dealing with the Employer.

2. The Employee shall not for a period of 12 months after the termination for whatever reason of this Agreement either on his own or on behalf of any other person firm or company endeavour to entice away from the Company any employee of the Company.

3. The Employee shall not either during the continuance of this Agreement or at any time thereafter except so far as is necessary and proper in the course of his employment hereunder either utilise or divulge directly or indirectly to any person or persons or company any secret or confidential knowledge information and know-how that he may have acquired as the result of or in connection with his employment by the Company concerning the business or finances of the Company or any of its dealings transactions or affairs or any trade secret or any such confidential information concerning any of its suppliers agents distributors or customers.

4. The Employee hereby undertakes that he will not after the termination of his employment hereunder whether as principal agent or employee use the name of the Company in connection with his own or in any way hold himself out as having any such connection.

5. The Employee agrees with the Company that the restrictions contained in subclauses 1–4 are reasonable and necessary for the protection of the business of the Company.

6. Each of the subclauses of this clause shall be separate distinct and severable from each other.

The inclusion of such a clause in Mr Fowler’s employment contract could have saved Faccenda a considerable amount of trouble. Similar covenants are commonly found in partnership agreements: for example, in Deacons v Bridge [1984] 2 All ER 19, a case involving a large firm of solicitors in Hong Kong and a former partner of the firm, the clause (which the Privy Council held was reasonable) said:

Except on dissolution, no partner ceasing to be a partner for any reason whatsoever shall for a period of five years thereafter act as a solicitor, notary, trademark or patent agent or in any similar capacity in the Colony of Hong Kong whether as principal, clerk or assistant for any person, firm or company who was at the time of his ceasing to be a partner or had during the period of three years prior thereto been a client of the partnership provided however that this clause shall not apply to a partner acting in any such capacity in the course of employment by the government or any public body or with any company or organisation which is not itself engaged in professional practice in any of the above fields.
The fact that the defendant was not prevented from practising as a solicitor in Hong Kong, but merely prevented from acting for the firm’s clients there, meant that the clause was reasonable. Had he been prohibited from practising as a solicitor in the colony at all, it would almost certainly have been decided differently.
CHAPTER EIGHT

PASSING OFF

GENERAL FORMULATION

The action for passing off is a common law action, and the principles are set out in the decisions of judges. It received its classic formulation from Lord Diplock in *Erven Warnink BV v John Townend and Sons (Hull) Ltd* [1979] AC 731 in which the Dutch maker of advocaat – a drink made from lawyers, according to Alan Coren,1 but in fact a concoction of eggs and brandy – sued the makers of a dried-eggs-and-fortified-wine product originally called ‘egg flip’ but latterly marketed under the unlikely name of ‘Keeling’s Old English Advocaat’. Being of lower alcoholic strength, the English product attracted less excise duty but benefited from Warnink’s promotional activities.

Goulding J granted an injunction restraining Keeling from selling or distributing under the name or description ‘advocaat’ any product which did not basically consist of eggs and spirit without any admixture of wine ([1980] RPC 31). The defendants appealed.

True it is that it could not be shown that any purchaser of Keeling’s Old English Advocaat supposed or would be likely to suppose it to be goods supplied by Warnink or to be Dutch advocaat of any make. So Warnink had no cause of action for passing off in its classic form. Nevertheless, the learned judge was satisfied: (1) that the name ‘advocaat’ was understood by the public in England to denote a distinct and recognisable species of beverage; (2) that Warnink’s product is genuinely indicated by that name and has gained reputation and goodwill under it; (3) that Keeling’s product has no natural association with the word ‘advocaat’: it is an egg and wine drink properly described as an ‘egg flip’, whereas advocaat is an egg and spirit drink; these are different beverages and known as different to the public; (4) that members of the public believe and have been deliberately induced by Keeling to believe in buying their ‘Old English Advocaat’ they are in fact buying advocaat; (5) that Keeling’s deception of the public has caused and, unless prevented, will continue to cause, damage to Warnink in the trade and the goodwill of their business both directly in the loss of sales and indirectly in the debasement of the reputation attaching to the name ‘advocaat’ if it is permitted to be used of alcoholic egg drinks generally and not confined to those that are spirit based.

...
My Lords, these findings of fact were accepted by the Court of Appeal and have not been challenged in their Lordships’ House. They seem to me to disclose a case of unfair, not to say dishonest, trading of a kind for which a rational system of law ought to provide a remedy to other traders whose business or goodwill is injured by it.

Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods another, but most protean is that which is generally and nowadays, perhaps misleadingly, described as ‘passing off’. The forms that unfair trading takes will alter with the ways in which trade is carried on and business reputation and goodwill acquired. Emerson’s maker of the better mousetrap if secluded in his house built in the woods would today be unlikely to find a path beaten to his door in the absence of a costly advertising campaign to acquaint the public with the excellence of his wares.

Lord Parker’s explanation of the nature of the proprietary right protected by a passing off action also supplied a new and rational basis for the two 19th century decisions of Page Wood VC in Dent v Turpin (1861) 2 J & H 139, and Southorn v Reynolds (1865) 12 LT (NS) 75, in which one of two traders, each of whom had by inheritance acquired goodwill in the use of a particular trade name, was held entitled, without joining the other, to obtain an injunction restraining a third trader from making use of the name, despite the fact that the plaintiff’s right of user was not exclusive. The goodwill of his business would be damaged by the misrepresentation that the defendant’s goods were the goods of a limited class of traders entitled to make use of it, of whom the plaintiff was one and the defendant was not.

My Lords, Spalding v Gamage (1915) 32 RPC 273 and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

In seeking to formulate general propositions of English law, however, one must be particularly careful to beware of the logical fallacy of the undistributed middle. It does not follow that because all passing off actions can be shown to present these characteristics, all factual situations which present these characteristics give rise to a cause of action for passing off. True it is that their presence indicates what a moral code would censure as dishonest trading, based as it is upon deception of customers and consumers of a trader’s wares, but in an economic system which has relied on competition to keep down prices and to improve products, there may be practical reasons why it should have been the policy of the common law not to run the risk of hampering
Passing Off

competition by providing civil remedies to everyone competing in the market who has suffered damage to his business or goodwill in consequence of inaccurate statements of whatever kind that may be made by rival traders about their own wares. The market in which the action for passing off originated was no place for the mealy mouthed; advertisements are not on affidavit; exaggerated claims by a trader about the quality of his wares, assertions that they are better than those of his rivals, even though he knows this to be untrue, have been permitted by the common law as venial ‘puffing’ which gives no cause of action to a competitor even though he can show he has suffered actual damage in his business as a result.

Parliament, however, beginning in the 19th century, has progressively intervened in the interests of consumers to impose on traders a higher standard of commercial candour than the legal maxim caveat emptor calls for, by prohibiting under penal sanctions misleading descriptions of the character or quality of goods; but since the class of persons for whose protection the Merchandise Marks Acts 1887–1953 and even more rigorous later statutes are designed, are not competing traders but those consumers who are likely to be deceived, the Acts do not themselves give rise to any civil action for breach of statutory duty on the part of a competing trader even though he sustains actual damage as a result: Cutler v Wandsworth Stadium [1949] AC 398

Commercial honesty is a factor which should not be overlooked by a judge confronted by the choice whether or not to extend by analogy, to circumstances in which it has not previously been applied, a principle which has been applied in previous cases where the circumstances, although different, had some features in common with those of the case which he has to decide. Where over a period of years there can be discerned a steady trend in legislation which reflects the view of successive Parliaments as to what the public interest demands in a particular field of law, development of the common law in that part of the same field which has been left to it ought to proceed upon a parallel rather than a diverging course.

The Champagne case came before Danckwerts J in two stages: the first, [1960] RPC 16 on a preliminary point of law, the second, [1961] RPC 116 on the trial of the action. The assumptions of fact on which the legal argument at the first stage was based were stated by the judge to be:

(1) The plaintiffs carry on business in a geographical area in France known as Champagne; (2) the plaintiffs’ wine is produced in Champagne and from grapes grown in Champagne; (3) the plaintiffs’ wine has been known in the trade for a long time as Champagne with a high reputation; (4) members of the public or in the trade ordering or seeing wine advertised as Champagne would expect to get wine produced in Champagne from grapes grown there, and (5) the defendants are producing a wine not produced in that geographical area and are selling it under the name of Spanish Champagne.

These findings disclose a factual situation (assuming that damage was thereby caused to the plaintiffs’ business) which contains each of the five characteristics which I have suggested must be present in order to create a valid cause of action for passing off. The features that distinguished it from all previous cases
were (a) that the element in the goodwill of each of the individual plaintiffs that was represented by his ability to use without deception (in addition to his individual house mark) the word ‘Champagne’ to distinguish his wines from sparkling wines not made by the champenois process from grapes produced in the Champagne district of France, was not exclusive to himself but was shared with every other shipper of sparkling wine to England whose wines could satisfy the same condition and (b) that the class of traders entitled to a proprietary right in ‘the attractive force that brings in custom’ represented by the ability without deception to call one’s wines ‘Champagne’ was capable of continuing expansion, since it might be joined by any future shipper of wine who was able to satisfy that condition.

My Lords, in the Champagne case the class of traders between whom the goodwill attaching to the ability to use the word ‘Champagne’ as descriptive of their wines was shared was a large one, 150 at least and probably considerably more, whereas in the previous English cases of shared goodwill the number of traders between whom the goodwill protected by a passing off action was shared had been two, although in the US in 1893 there had been a case, Pillsbury Washburn Flour Mills v Eagle 86 Fed Rep 608 in which the successful complainants to the number of seven established their several proprietary rights in the goodwill attaching to the use of a particular geographical description to distinguish their wares from those of other manufacturers.

It seems to me, however, as it seemed to Danckwerts J, that the principle must be the same whether the class of which each member is severally entitled to the goodwill which attaches to a particular term as descriptive of his goods, is large or small. The larger it is the broader must be the range and quality of products to which the descriptive term used by the members of the class has been applied and the more difficult it must be to show that the term has acquired a public reputation and goodwill as denoting a product endowed with recognisable qualities which distinguish it from others of inferior reputation that compete with it in the same market. The larger the class the more difficult it must also be for an individual member of it to show that the goodwill of his own business has sustained more than minimal damage as a result of deceptive use by another trader of the widely shared descriptive term.

As respects subsequent additions to the class, mere entry into the market would not give any right of action for passing off; the new entrant must have himself used the descriptive term long enough in the market in connection with his own goods and have traded successfully enough to have built up a goodwill for his business.

For these reasons the familiar argument that to extend the ambit of an actionable wrong beyond that to which effect has demonstrably been given in the previous cases would open the floodgates or, more ominously, a Pandora’s box of litigation, leaves me unmoved when it is sought to be applied to the actionable wrong of passing off.

I would hold the Champagne case to have been rightly decided and in doing so would adopt the words of Danckwerts J where he said, [1960] RPC 31:

There seems to be no reason why such licence (to do a deliberate act which causes damage to the property of another person) should be given to a
person competing in trade, who seeks to attach to his product a name or description with which it has no natural association, so as to make use of the reputation and goodwill which has been gained by a product genuinely indicated by the name or description. In my view, it ought not to matter that the persons truly entitled to describe their goods by the name and description are a class producing goods in a certain locality, and not merely one individual. The description is part of their goodwill and a right of property. I do not believe that the law of passing off, which arose to prevent unfair trading, is so limited in scope.

In the *Champagne* case the descriptive term referred to the geographical provenance of the goods, and the class entitled to the goodwill in the term was accordingly restricted to those supplying on the English market goods produced in the locality indicated by it. Something similar was true in the *Sherry* case where the word ‘sherry’ as descriptive of a type of wine unless it was accompanied by some qualifying geographical adjective was held to denote wine produced by the solera method in the province of Jerez de la Frontera in Spain and the class entitled to the goodwill in the word was restricted to suppliers in the English market of wine produced in that province. In the *Scotch Whisky* case the product with which the case was primarily concerned was blended whisky and the class entitled to the goodwill in the descriptive term ‘Scotch whisky’ was not restricted to traders who dealt in whisky that had been blended in Scotland but extended to suppliers of blended whisky wherever the blending process took place provided that the ingredients of their product consisted exclusively of whiskies that had been distilled in Scotland. But the fact that in each of these first three cases the descriptive name under which goods of a particular type or composition were marketed by the plaintiffs among others happened to have geographical connotations is in my view without significance. If a product of a particular character or composition has been marketed under a descriptive name and under that name has gained a public reputation which distinguishes it from competing products of different composition, I can see no reason in principle or logic why the goodwill in the name of those entitled to make use of it should be protected by the law against deceptive use of the name by competitors, if it denotes a product of which the ingredients come from a particular locality, but should lose that protection if the ingredients of the product, however narrowly identified, are not restricted as to their geographic provenance. Yet in view of the findings of fact by Goulding J to which I have already referred, this is the only way in which the instant case can be distinguished from the *Champagne, Sherry* and *Scotch Whisky* cases.

... My Lords, the class of producers who could make ‘Champagne’ and whose right to use that word to describe their product in the English market formed a valuable part of their goodwill was a large one, much larger than the class with which the instant case is concerned, for it embraced everyone who engaged in the business of producing in that Champagne district, which is extensive, by the champenois method from grapes grown in the district, and the class was capable of enlargement by the inclusion of anyone who chose to set up a new wine-producing business of that kind there. It is true that the whole process for
making the finished product would have to be undertaken in the Champagne
district; but this as I have already pointed out, was not so in the Sherry case,
where bottling of the wine produced from grapes grown in the province of
Jerez de la Frontera and blended by the solera method there need not take place
in Spain: nor was it so in the Scotch Whisky case where even the blending of
malt and grain whiskies, provided they were distilled in Scotland, need not
take place in that country.

Of course it is necessary to be able to identify with reasonable precision the
members of the class of traders of whose products a particular word or name
has become so distinctive as to make their right to use it truthfully as
descriptive of their product a valuable part of the goodwill of each of them; but
it is the reputation that that type of product itself has gained in the market by
reason of its recognisable and distinctive qualities that has generated the
relevant goodwill. So if one can define with reasonable precision the type of
product that has acquired the reputation, one can identify the members of the
class entitled to share in the goodwill as being all those traders who have
supplied and still supply to the English market a product which possesses
those recognisable and distinctive qualities.

It cannot make any difference in principle whether the recognisable and
distinctive qualities by which the reputation of the type of product has been
 gained are the result of its having been made in, or from ingredients produced
in, a particular locality or are the result of its having been made from particular
ingredients regardless of their provenance: though a geographical limitation
may make it easier (a) to define the type of product; (b) to establish that it has
qualities which are recognisable and distinguish it from every other type of
product that competes with it in the market and which have gained for it in
that market a reputation and goodwill; and (c) to establish that the plaintiff’s
own business will suffer more than minimal damage to its goodwill by the
defendant’s misrepresenting his product as being of that type.

In the instant case it is true that all but a very small portion of the alcoholic egg
drink which gained for the name ‘advocaat’ a reputation and goodwill upon
the English market, was imported from the Netherlands where, in order to
bear that name, the ingredients from which it was made had to conform to the
requirements of official regulations applicable to it in that country; but that is
merely coincidental, for it is not suggested that an egg and spirit drink made in
broad conformity with the Dutch official recipe for ‘advocaat’, wherever it is
made or its ingredients produced, is not endowed with the same recognisable
and distinctive qualities as have gained for ‘advocaat’ its reputation and
goodwill in the English market.

So, on the findings of fact by Goulding J to which I referred at the beginning of
this speech, the type of product that has gained for the name ‘advocaat’ in the
English market the reputation and goodwill of which Keeling’s are seeking to
take advantage by misrepresenting that their own product is of that type, is
defined by reference to the nature of its ingredients irrespective of their origin.
The class of traders of whose respective businesses the right to describe their
products as advocaat forms a valuable part of their goodwill are those who
have supplied and are supplying on the English market an egg and spirit drink
in broad conformity with an identifiable recipe. The members of that class are
easily identified and very much fewer in number than in the Champagne, Sherry or Scotch Whisky cases. Warnink with 75% of the trade have a very substantial stake in the goodwill of the name ‘advocaat’ and their business has been shown to have suffered serious injury as a result of Keeling’s putting on the English market in competition with Warnink and at a cheaper price an egg-and-wine based drink which they miscall ‘advocaat’ instead of egg flip which is its proper name.

My Lords, all the five characteristics that I have earlier suggested must be present to create a valid cause of action in passing off today were present in the instant case. *Prima facie*, as the law stands today, I think the presence of those characteristics is enough, unless there is also present in the case some exceptional feature which justifies, on grounds of public policy, withholding from a person who has suffered injury in consequence of the deception practised on prospective customers or consumers of his product a remedy in law against the deceiver. On the facts found by the judge, and I stress their importance, I can find no such exceptional feature in the instant case.

I would allow this appeal and restore the injunction granted by Goulding J.

Lord Fraser of Tullybelton concurred. His speech provides a different formulation of the essential test.

It is essential for the plaintiff in a passing off action to show at least the following facts:

1. that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies;
2. that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods;
3. that because of the reputation of the goods, there is goodwill attached to the name;
4. that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value;
5. that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendant’s selling goods which are falsely described by the trade name to which the goodwill is attached.

Lord Diplock’s formulation is of more general application; whereas Lord Fraser’s is more specific to the facts of the case. In *Reckitt and Colman (Products) Ltd v Borden Inc* [1990] 1 WLR 491 – the *Jif Lemon* case – Lord Oliver of Aylmerton reduced this five-part test to three propositional elements: goodwill; misrepresentation; and damage; and also gave careful consideration to the requirement that there be a misrepresentation by the defendant (see below). His Lordship also stated the broad principle underlying the tort: ‘The principle that no man is entitled to steal another’s trade by deceit’.

2 In passing, it is worth noting that in *Metall und Rohstoff AG v Donaldson Lufkin & Jenrette Inc* [1990] 1 QB 391 Slade LJ remarked: ‘Even a speech of Lord Diplock is not to be construed like a statute.’
MISREPRESENTATION BY TRADER IN COURSE OF TRADE

The first element of the passing off action is misrepresentation in the course of trade. In the seminal case of Reddaway v Banham [1896] AC 199 – known as the camel-hair belting case, since that was the product in issue – Lord Halsbury put it more bluntly: ‘Nobody has any right to represent his goods as the goods of somebody else’.

It is rare for the misrepresentation to be made expressly, but in Reddaway v Banham the defendant called his product camel-hair belting (which was precisely what it was): the plaintiffs, his erstwhile employers, had long called their product by the same name. The misrepresentation was clear enough, and the case turned on whether the use in this way of a descriptive term could be passing off. Lord Herschell elaborated:

The principle which is applicable to this class of cases was, in my judgment, well laid down by Lord Kingsdown in The Leather Cloth Company v The American Cloth Company 11 HL Cas 523, 538. It had been previously enunciated in much the same way by Lord Langdale in the case of Croft v Day 7 Beav 84. Lord Kingsdown’s words were as follows:

The fundamental rule is that one man has no right to pass off his goods for sale as the goods of a rival trader, and he cannot therefore (in the language of Lord Langdale in the case of Perry v Truefitt 6 Beav 66) be allowed to use names, marks, letters, or other indicia, by which he may induce purchasers to believe that the goods which he is selling are the manufacture of another person.

It is, in my opinion, this fundamental rule which governs all cases, whatever be the particular mode adopted by any man for passing off his goods as those of a rival trader, whether it is done by the use of a mark which has become his trademark, or in any other way. The word ‘property’ has been sometimes applied to what has been termed a trademark at common law. I doubt myself whether it is accurate to speak of there being property in such a trademark, though, no doubt, some of the rights which are incident to property may attach to it. Where the trademark is a word or device never in use before, and meaningless, except as indicating by whom the goods in connection with which it is used were made, there could be no conceivable legitimate use of it by another person. His only object in employing it in connection with goods of his manufacture must be to deceive. In circumstances such as those, the mere proof that the trademark of one manufacturer had been thus appropriated by another, would be enough to bring the case within the rule as laid down by Lord Kingsdown, and to entitle the person aggrieved to an injunction to restrain its use. In the case of a trademark thus identified with a particular manufacturer, the rights of the person whose trademark it was would not, it may be, differ substantially from those which would exist if it were strictly speaking, his property. But there are other cases which equally come within the rule that a man may not pass off his goods as those of his rival, which are not of this simple character – cases where the mere use of the particular mark
or device which had been employed by another manufacturer would not of itself necessarily indicate that the person who employed it was thereby inducing purchasers to believe that the goods he was selling were the goods of another manufacturer.

The name of a person, or words forming part of the common stock of language, may become so far associated with the goods of a particular maker that it is capable of proof that the use of them by themselves, without explanation or qualification by another manufacturer, would deceive a purchaser into the belief that he was getting the goods of A, when he was really getting the goods of B. In a case of this description, the mere proof by the plaintiff that the defendant was using a name, word, or device which he had adopted to distinguish his goods would not entitle him to any relief. He could only obtain it by proving further, that the defendant was using it under such circumstances and in such manner as to pass off his goods as the goods of the plaintiff. If he could succeed in proving this, I think he would, on well-established principles, be entitled to an injunction.

In my opinion, the doctrine on which the judgment of the Court of Appeal was based that where a manufacturer has used as his trademark a descriptive word, he is never entitled to relief against a person who so uses it as to induce in purchasers the belief that they are getting the goods of the manufacturer who has theretofore employed it as a trademark, is not supported by authority and cannot be defended on principle. I am unable to see why a man should be allowed in this way more than in any other to deceive purchasers into the belief that they are getting what they are not, and thus to filch the business of a rival.

Since then the tort has become wider in its scope, moving on from its classical formulation. In Cadbury Schweppes Pty Ltd v The Pub Squash Co Ltd [1981] RPC 429 the plaintiffs launched a lemon squash under the brand ‘Solo.’ It was sold in yellow cans decorated with medallions, similar to those found on beer cans. In its television advertising the plaintiff suggested that the drink resembled squash sold in pubs in days gone by and the general tenor of the promotion was to suggest that the squash was a masculine drink. A few months later the defendant launched a similar drink, Pub Squash, also sold in yellow cans, and it conducted a similar, though smaller, publicity campaign. The plaintiffs’ market slumped by 16%. For the Privy Council, Lord Scarman said:

It is unnecessary to explore the law in any depth, because it is now accepted by both sides that the issue in the case is whether in promoting its product the respondent so confused or deceived the market that it passed its product off as the product of the appellants. Nevertheless the case presents one feature which is not to be found in the earlier case law. The passing off of which the appellants complain depends to a large extent on the deliberate adoption by the respondent of an advertising campaign based on themes and slogans closely related to those which the appellants had developed and made familiar to the market in the radio and television advertising of their product. Does confusion or deception, if it be shown to arise from such an advertising
campaign, amount to a passing off? To answer the question it is necessary to consider the modern character of the tort.

... The width of the principle now authoritatively recognised by the High Court, Australia and the House of Lords is, therefore, such that the tort is no longer anchored as in its early 19th century formulation, to the name or trademark of a product or business. It is wide enough to encompass other descriptive material, such as slogans or visual images, which radio, television or newspaper advertising campaigns can lead this market to associate with a plaintiff's product, provided always that such descriptive material has become part of the goodwill of the product. And the test is whether the product has derived from the advertising a distinctive character which the market recognises.

But competition must remain free; and competition is safeguarded by the necessity for the plaintiff to prove that he has built up an 'intangible property right' in the advertised descriptions of his product, or, in other words, that he has succeeded by such methods in giving his product a distinctive character accepted by the market. A defendant however, does no wrong by entering a market created by another and there competing with its creator. The line may be difficult to draw; but, unless it is drawn, competition will be stifled. The test applied by Powell J in the instant case was to enquire whether the consuming public was confused or misled by the get-up, the formula or the advertising of the respondent's product into thinking that it was the appellants’ products. And he held on the facts that the public was not deceived. Their Lordships do not think that his approach in law (save in one respect, as will later appear) to the central problem of the case can be faulted. The real question in the appeal is, therefore, one of fact, whether the judge erred in the inferences he drew from the admitted primary facts.

The appellants’ alternative case of unfair trading irrespective of whether the market was deceived or confused into mistaking the respondent’s product for that of the appellants need not be considered by the Board, since the appellants now restrict themselves to a case based on such confusion. For such a case to succeed it would be necessary to show that the law of Australia has developed a tort of unfair competition along the lines suggested in the well-known decision of the US Supreme Court, International News Service v Associated Press 248 US 215 at 240-42.3

His Lordship reviewed the trial judge’s findings on the evidence and refused to depart from them: there had been no significant confusion or deception at the point of sale which was not immediately corrected; it was not established that the public associated yellow cans only with the plaintiff’s product, and the themes in the television advertising had not become distinctive of it. The question of misrepresentation also played an important part in the Jif case, as this extract from Lord Oliver’s judgment makes plain:

3 See above, p 6.
The argument, so attractively put by Lord Alexander of Weedon, starts from a principle which is common to both parties and which is neatly expressed in the following short passage from the judgment of Lord Cranworth LC in *Farina v Silverlock* (1856) 6 De GM & G 214, 218:

... I apprehend that the law is perfectly clear, that anyone, who has adopted a particular mode of designating his particular manufacture, has a right to say, not that other persons shall not sell exactly the same article, better or worse, or an article looking exactly like it, but that they shall not sell it in such a way as to steal (so to call it) his trademark, and make purchasers believe that it is the manufacture to which that trademark was originally applied.

So, it is said, the distinction between the manufactured article itself, which anyone is free to copy in the absence of patent protection, and the special trade insignia used to designate its trade origin, which the courts will protect, is clearly brought out in the speech of Lord Macnaghten in *Weingarten Bros v Charles Bayerd & Co* (1905) 22 RPC 341, 349. The article itself cannot, it is submitted, constitute the special insignia of its own origin. All that the law will protect are such capricious additions or features as may be attached to the article for the purpose of indicating origin – for instance, the embossed word ‘Jif’ on the respondents’ containers in the instant case, which serves no functional purpose.

Whether in fact the particular shape or configuration of the very object sold by a trader is incapable as a matter of law of protection in a case where it has become associated exclusively with his business is a proposition which is at least open to doubt. The decision of Buckley J in *R. Elliott & Co Ltd v Hodgson* (1902) 19 RPC 518 suggests the contrary, although it has been doubted. See *Cadbury Ltd v Ulmer GmbH* [1988] FSR 385. It is clear at least from the decision of this House in *William Edge & Sons Ltd v William Niccolls & Sons Ltd* [1911] AC 693 that where the article sold is conjoined with an object which, whilst serving the functional purpose of enabling the article to be more effectively employed, is of a shape or configuration which has become specifically identified with a particular manufacturer, the latter may be entitled to protection against the deceptive use in conjunction with similar articles or objects fashioned in the same or a closely similar shape.

I find it, however, unnecessary to pursue the question further for there is, to my mind, a fallacy in the argument which begins by identifying the contents with the container and is summarised in the central proposition that ‘you cannot claim a monopoly in selling plastic lemons’. Well, of course you cannot, any more than you can claim a monopoly in the sale of dimpled bottles. The deception alleged lies not in the sale of the plastic lemons or the dimpled bottles, but in the sale of lemon juice or whisky, as the case may be, in containers so fashioned as to suggest that the juice or the whisky emanates from the source with which the containers of those particular configurations have become associated in the public mind. See *John Haig’s Co Ltd v Forth Blending Co Ltd* (1953) 70 RPC 259. It is, no doubt, true that the plastic lemon-shaped container serves, as indeed does a bottle of any design, a functional purpose in the sale of lemon juice. Apart from being a container simpliciter, it is
a convenient size; it is capable of convenient use by squeezing; and it is so designed as conveniently to suggest the nature of its contents without the necessity for further labelling or other identification. But those purposes are capable of being and indeed are served by a variety of distinctive containers of configurations other than those of a lemon-sized lemon. Neither the appellants nor the respondents are in the business of selling plastic lemons. Both are makers and vendors of lemon juice and the only question is whether the respondents, having acquired a public reputation for Jif juice by selling it for many years in containers of a particular shape and design which, on the evidence, has become associated with their produce, can legitimately complain of the sale by the appellants of similar produce in containers of similar, though not identical, size, shape and colouring.

So I, for my part, would reject the suggestion that the plastic lemon container is an object in itself rather than part of the get-up under which the respondents’ produce is sold. But it is argued that that is not the end of the matter, for the get-up which is protected is not just a plastic lemon-shaped container, but the container plus the respondents’ labelling, and it is not open to the respondents to argue that, though the labels themselves could not, fairly regarded, possibly be confused, a part, albeit perhaps a dominant part, of the get-up can, as it were, be separated and made the subject-matter of protection in its own right. I confess that I do not see why not, given that the respondents establish a right to the protection of their get-up as a whole. The question is whether what the appellants are doing constitutes a misrepresentation that their juice is Jif juice, and whether that results from the similarity of their get-up to the whole of the respondents’ get-up or to only the most striking part of it is wholly immaterial if – and of course this is critical – it is once established as a matter of fact that what they are doing constitutes a misrepresentation which effectively deceives the public into an erroneous belief regarding the source of the product.

Then it is said – and again there is no disagreement as to this – that the mere fact that the produce of the appellants and that of the respondents may be confused by members of the public is not of itself sufficient. There is no ‘property’ in the accepted sense of the word in a get-up. Confusion resulting from the lawful right of another trader to employ as indicative of the nature of his goods terms which are common to the trade gives rise to no cause of action. The application by a trader to his goods of accepted trade description or of ordinary English terms may give rise to confusion. It probably will do so where previously another trader was the only person in the market dealing in those goods, for a public which knows only of A will be prone to assume that any similar goods emanate from A. But there can be no cause of action in passing off simply because there will have been no misrepresentation. So the application to the defendants’ goods of ordinary English terms such as ‘cellular clothing’ (Cellular Clothing Co Ltd v Maxton and Murray (1899) 16 RPC 397), or ‘office cleaning’ (Office Cleaning Services Ltd v Westminster Window and General Cleaners Ltd (1946) 63 RPC 39) or the use of descriptive expressions or slogans in general use such as ‘Chicago Pizza’ (My Kinda Town Ltd v Soll [1983] RPC 407) cannot entitle a plaintiff to relief simply because he has used the same or similar terms as descriptive of his own goods and has been the only person previously to employ that description.
All this is accepted by the respondents. The appellants, however, starting from this undoubted base, argue that what the respondents are asking the court to protect is no more than the use by them of a descriptive term, embodied in a plastic lemon instead of expressed verbally, which is common to the trade. They pray in aid a whole host of previously decided cases by way of analogy. *JB Williams Co v H Bronnley & Co Ltd* (1909) 26 RPC 765, for instance, was a case where the plaintiffs had adopted a type of container for shaving soap which closely resembled in shape, size and colouring other containers whose salient features were widely used and already familiar in the trade. Not surprisingly, they failed in their claim for passing off. But these cases establish no fresh principle of law, and are really of very little assistance.

Every case depends upon its own peculiar facts. For instance, even a purely descriptive term consisting of perfectly ordinary English words may, by a course of dealing over many years, become so associated with a particular trader that it acquires a secondary meaning such that it may properly be said to be descriptive of that trader’s goods and of his goods alone, as in *Reddaway v Banham* [1986] AC 199. In the instant case, what is said is that there was nothing particularly original in marketing lemon juice in plastic containers made to resemble lemons. The respondents were not the first to think of it even though they have managed over the past 30 years to establish a virtual monopoly in the UK. It is, in fact, a selling device widely employed outside the UK. It is a natural, convenient and familiar technique – familiar at least to those acquainted with retail marketing methods in Europe and the US. If and so far as this particular selling device has become associated in the mind of the purchasing public with the respondents’ Jif lemon juice, that is simply because the respondents have been the only people in the market selling lemon juice in this particular format. Because there has been in fact a monopoly of this sale of this particular article, the public is led to make erroneous assumption that a similar article brought to the market for the first time must emanate from the same source. This has been referred to in the argument as ‘the monopoly assumption’. The likelihood of confusion was admitted by the appellants themselves in the course of their evidence, but it is argued that the erroneous public belief which causes the product to be confused arises simply from the existing monopoly and not from any deception by the appellants in making use of what they claim to be a normal, ordinary and generally available selling technique.

The difficulty about this argument is that it starts by assuming the only basis upon which it can succeed, that is to say, that the selling device which the appellants wish to adopt is ordinary and generally available or, as it is expressed in some of the cases, ‘common to the trade’. See, for example, *Payton & Co Ltd v Snelling Lampard & Co Ltd* (1899) 17 RPC 48. In one sense, the monopoly assumption is the basis of every passing off action. The deceit practised on the public when one trader adopts a get-up associated with another succeeds only because the latter has previously been the only trader using that particular get-up. But the so-called ‘monopoly assumption’ demonstrates nothing in itself as a defence to a passing off claim; it can succeed only if that which is claimed by the plaintiff as distinctive of his goods and his goods alone consists of something either so ordinary or in such common use
that it would be unreasonable that he should claim it as applicable solely to his goods, as for instance where it consists simply of a description of the goods sold. Here the mere fact that he has previously been the only trader dealing in goods of that type and so described may lead members to the public to believe that all such goods must emanate from him simply because they know of no other. To succeed in such a case he must demonstrate more than simply the sole use of the descriptive term. He must demonstrate that it has become so closely associated with his goods as to acquire the secondary meaning not simply of goods of that description but specifically of goods of which and he alone is the source ...

The trial judge here has found as a fact that the natural size squeeze pack in the form of a lemon has become so associated with Jif lemon juice that the introduction of the appellants’ juice in any of the proposed get-ups will be bound to result in many housewives purchasing that juice in the belief that they are obtaining Jif juice. I cannot interpret that as anything other than a finding that the plastic lemon-shaped container has acquired, as it were, a secondary significance. It indicates not merely lemon juice but specifically Jif lemon juice.

... 

It is pointed out that recent decisions of this House in, for instance, British Leyland Motor Corporation Ltd v Armstrong Patents Co Ltd [1986] AC 577 and in Re Coca-Cola Co [1986] 1 WLR 695 have stressed the suspicion with which this House regards any attempt to extend or perpetuate a monopoly and it is suggested again that, because it is not easy in the circumstances of this market effectively to distinguish the appellants’ products from the respondents’ except at considerable expense, the respondents are achieving, in effect, a perpetual monopoly in the sale of lemon juice in lemon-shaped squeeze packs. I do not accept at all that this is so, but in any event the principle that no man is entitled to steal another’s trade by deceit is one of at least equal importance. The facts as found here establish that, unless the injunction is continued, that is what the appellants will be doing and it is not necessary for them to do so in order to establish their own competing business for there is nothing in the nature of the product sold which inherently requires it to be sold in the particular format which the appellants have chosen to adopt. I would dismiss the appeal.

Lord Bridge and Lord Jauncey delivered concurring speeches, although Lord Bridge (who demonstrated in other cases such as BL v Armstrong and Re Coca-Cola about this time that his instincts were against increases in the scope of intellectual property protection) prefaced his finding with a statement to the effect that if he could have possibly found a way of deciding it the other way, he would. Lord Brandon and Lord Goff concurred.

The courts also accept that the law of passing off is apt to protect the get-up of a product. In Hodgkinson & Corby Ltd v Wards Mobility Services Ltd [1995] FSR 169 – the ROHO case – the High Court (Jacob J) described how passing off

4 See p 468.
Passing Off

provides protection for aspects of a product’s design, although not (as we shall see) in this particular case.

The defendants propose to sell what, to the eye, is a copy – a ‘lookalike’ to use the words of the defendant’s managing director – of the plaintiffs’ product. The plaintiffs invoke no patent, design or like right. But, they say, sales of the copy will involve its being passed off as the ‘original’.

The article is one of pure, and great, utility. It is a cushion used on wheelchairs by the permanently immobile to prevent or aid in the cure of pressure sores (decubitus ulcers). Such sores can not only cause great pain to sufferers; they can endanger health to the extent of being life threatening. The cushion was devised by Mr Graebe, the president of Roho Inc, the second plaintiffs. He has had a research interest in devices for pressure sores for many years, since indeed the early 1960s. In 1971 he took out a US patent for the general idea behind the present article and how to make it. The patent is now expired. There never was a UK patent. Curiously, a number of witnesses thought there had been. Roho Inc started selling cushions in accordance with Mr Graebe’s invention in 1978. Roho Inc, inspired by Mr Graebe, has maintained a process of constant research and improvement, much to the benefit of users. I say ‘users’ rather than ‘patients’, for some users are not ill, but incapacitated.

The cushion is known by the trademark ROHO. It is an odd looking device – a number of witnesses called it ugly. It is clearly striking to the eye and memorable. It has a more or less square black rubber base, upon which ‘sit’ a rectangular array of inflatable rubber cells. The cells are all identical and are each square in cross-section at their base. Each square is closely adjacent to the others. When inflated the cells are close enough to provide each other with some sideways support when the weight of the user is applied. The cells have four ‘fins’, ie portions where the four sides meet. The fins rise from the corners and meet in a cruciform at the top of the cell. Between the fins the cell walls bow inwards when the cell is uninflated. There are two basic heights of cell, 2” and 4”. The 4” cell, when inflated, resembles a softened Canada Tower: the curves of the 2” cell commence almost at the base. To some extent the appearance depends upon the degree of inflation. The whole effect is one of all array of rectangular blocks whose upper portions have been curved inwards. One witness described the appearance as that of a ‘black egg box’.

Functionally the cushion works thus: the ‘base’ contains pipework through which the cells can be inflated. The cells are connected to each other through the base (which is a ‘sandwich’ of rubber). Thus when a posterior exerts pressure on the cushion the cells adjust to accommodate the shape. In practice the user is placed on the cushion when it is fully inflated and a skilled and trained healthcare professional then releases pressure through a valve. (‘Healthcare professional’ covers a range of skilled medical staff, from doctors and nurses to physiotherapists and perhaps other highly trained persons.) The posterior is accommodated by some of the cells sinking more than others. The carer endeavours to set the cushion so that there is even pressure all over it. Moreover there is maximum surface contact so that pressure on the posterior is as low as can be. The effect is said to be ‘air flotation’ – the user is, as far as possible, sitting on compressed air.
The ROHO cushion comes in several standard sizes, eg 8 x 8 cells, 9 x 8 cells and so on. Some have one compartment, some two (with two valves). There are also some special cushions which incorporate the cells. These go by special trade names such as QUADTRO and ENHANCER. There are even mattresses using the cell system and special cushions using the system can be made to order. Healthcare professionals, when deciding what kind of cushion is needed by a user, not only have to select whether the cushion should be a ROHO but must condescend to detail – which ROHO?

Not surprisingly there are other kinds of cushion in use besides the ROHO type. They range from simple foam, gels, mixtures of foam and gel, to another air flotation type. The latter consists of a series of circular concertina-like, air-filled plastic members which take the pressure, separated by a rectangular foam pad with holes in which accommodate the members. Some are better than others. The evidence is that the ROHO type is one of the best for high risk cases.

The cushions may or may not be used with covers. Foam-containing ones are almost invariably so used (for obvious hygiene reasons). The ROHO type may be used with a cover but is often not so used. Covers are apt to reduce the effectiveness of the cushion, even if made of a material which will stretch bi-directionally. I say no more about covers, because they have no significant place in the plaintiffs’ case. As it turns out they are ordered and supplied separately.

The first plaintiff is Roho Inc’s exclusive UK distributor. It trades under the name Raymar, which I find to be well known amongst healthcare professionals. It employs a number of such professionals whose function is to teach and demonstrate how ROHO products are to be selected and used. They do valuable work, and behave thoroughly professionally. For instance I accept Mr Hodgkinson’s (Raymar’s managing director) evidence that his staff would not recommend a ROHO when a lesser and much cheaper cushion would do. Currently sales of ROHO cell type products amount to about 6,500 units a year. The price varies according to type. A typical single valve device costs £345. Competitors’ cushions are mostly quite a lot less. Raymar’s promotional budget is large – about £800,000 pa. Most of that relates to the ROHO product. Part of that budget includes education of healthcare professionals.

The defendant, Ward’s Mobility Services Ltd sells a variety of equipment for the disabled. Its managing director, Mr McGregor, has had a lot of experience in the healthcare product supply industry. Ward’s are reasonably well known (having started in 1966 in the South East) and have recently set up national distribution. They are rather less well known than Raymar, but also employ a sales force and, currently, one physiotherapist.

The cushion intended to be sold by Ward’s is made by a French company, Asklé. Asklé were Roho’s French distributors. They have produced a near copy of the ROHO. Apparently they sell it in France under the trademark R’KO. Ward’s do not intend to use that here, and never did so intend. An example of what they now intend to sell here was before me. It uses the trademark FLOTAIR. The mark is printed prominently on the underside of the cushion. I was told the mark will also appear on the upper side of the edge of the base.
Self-evidently Asklé more or less copied the ROHO. The copy is not exact. I doubt the plaintiff’s expert’s (Mr Birch) surmise that the cells were copied by using plaster of Paris. They are not close enough for that. The defendants put in a hearsay statement from Mr Sebag of Asklé which gave a lot of good reasons why the device was shaped as it was. That may or may not be true. The one thing he does not say is that the Asklé was not copied from the ROHO.

I heard a lot of evidence as to whether the Asklé cushion was inferior to the ROHO. I decline so to find. The point was not pleaded and is irrelevant to the claim in passing off (save perhaps as to the degree of damage to goodwill, such damage arising anyway if there is deception). The defendants first saw the evidence in the witness statement of Mr Birch served only five weeks before trial. That evidence contained the results of a number of experiments. Even then the plaintiffs refused access to Mr Birch’s working notes and these had to be extracted by subpoena. In patent actions there is a set procedure whereby a party who relies upon experiments gives proper notice so that the other party is both not taken by surprise but also is able to conduct its own experiments by way of answer. There is no such provision in ordinary actions, such as the present. However it is self-evident that where a party wishes to rely upon experiments it should normally give adequate notice to the opposite party. Otherwise that party may be faced with the problem of asking for an adjournment, which may be the last thing it wants, or proceeding without a proper opportunity of defence. Moreover the value of expert evidence of which there has been no warning in the pleadings and precious little opportunity to challenge is likely to be low.

As to the quality of the expert evidence in this case, Mr Birch purported to give evidence about experiments only some of which, it turned out, he had even seen. He was wrong about some of those experiments being in accordance with a British Standard. Finally I am satisfied from Mr Platts-Mills’s cross-examination that the heart of Mr Birch’s evidence was that any departure from what Roho did, rendered the FLO’TAIR inferior. That may or may not be so. Thus it seems that the Asklé is thinner and softer. That may or may not adversely affect it in use. The immensely practical and knowledgeable-about-rubber Mr Mansell, called by the defendants, was convincingly of the opinion that the only way to find out which was better was to test the products in use. Thus, although the FLO’TAIR cells are thinner and may tear more readily once a tear has started, they may be better at standing up to an initial tearing force.

I also heard a lot of technical evidence about how these cushions are made (by dipping a former into neoprene solution), about whether a different colour could be used (of course, but at some expense both in material and quality control) and other aspects of possible differentiation. At times it seemed as if I was listening to a patent action rather than a passing off action. None of this matters so far as passing off is concerned. I propose to ignore it.

Some think that copying is unethical, others do not. Often the copyist of today becomes the innovator of tomorrow. Copying is said by some to be part of the lifeblood of competition, the means of breaking de facto market monopolies and keeping down the price of articles not protected by special monopolies such as
patents or registered designs. Others say that copyists are parasites on innovators. None of this matters. Certainly it is not the law that copying as such is unlawful: the common law (and I am concerned with the common law) leans against monopolies.

I was invited to infer that Asklé not only copied, but did so because they wanted to deceive, (also an unpleaded point). That I decline to do. Not only would this involve considering the position in France, where their cushion is on sale, but there is a perfectly honest reason for copying. This is simply that the ROHO product, unprotected by patent, is established as working well and, without causing any deception, it will be easier to persuade healthcare professions to order the product as a consequence.

Mr Morcom (counsel for the plaintiffs) relied on a number of factors to support his charge: the fact that the box for the product is semi-transparent, the use of a yellow handle for the box (yellow being the colour of a cord attached to the ROHO) and the presence of unnecessary ‘nipples’ on the corner of the FLO’TAIR, as in the ROHO. None of these points amounts to anything. No relevant witness attached any significance to any of these points. (I here exclude Mr Birch, who is not connected in any way with the trade or the use of these cushions.) The FLO’TAIR box reveals the shape of the article – but that in no way suggests an intention to deceive.

Moreover, no allegation of an intent by Ward’s to deceive, was made. That struck me as illogical – after all it is Ward’s who are going to put the FLO’TAIR on the market in the UK, not Asklé. Mr McGregor’s position is clear. Ward’s will be selling a ‘me-too’ product. As Mr Morcom submits, ‘me-too’ has the dictionary definition of ‘marked by similarity to or acceptance of the successful ... pretences of a rival’. Ward’s will, as their discovery acknowledges, enter the air-flotation market which: ‘has been dominated (and indeed nicely created) by Roho’.

Ward’s brochure says:

The Flo’Tar cushion is made of soft neoprene air-inflated cells which are interconnected by airways to evenly distribute weight placed upon them. The well-recognised system for the prevention of pressure sores has benefited from modern technology and manufacturing processes to produce a new, softer material, which is durable, lightweight and extremely effective.

This, it is said, would be taken as a reference to the ROHO system. The point was bolstered by pointing out that the brochure contained the same misspelling of ‘flotation’, ie ‘floatation’, and used the same expressions ‘low profile’ and ‘high profile’ for different heights of cushion. Although I would have thought some might take it as such a reference, no independent witness so said. Indeed Mr Lynch, from Withington Hospital, Manchester, said it meant no more to him than a reference to air flotation generally. Nor (and I am not surprised at this) did any witness pay any attention to the misspelling or the use of ‘profile’. Even if the brochure is a reference to the ROHO system, it is not a misrepresentation, for the FLO’TAIR is in accordance with that system.

Appeals were made to such notions as ‘riding on the back of Roho’, or ‘taking Roho’s market’. Indeed evidence was led that a Ward’s salesman actually said
that ‘Ward’s were riding on the back of Raymar in order to achieve better sales of their cushion’. Whether that precise language was used I am not sure (because one witness made his statement a few weeks later and his corroborator was not asked about it for a very long time). But it does not matter. Even if it was said, it does not amount to anything relevant. You can ride on the back of a competitor by deceiving customers or by honest competition. One is unlawful, the other, not. I was invited to draw an adverse inference because the salesman was not called. There was absolutely no need to do so and I decline to draw any such inference. Moreover the cross-examination of the witness who deposed to that conversation went:

Q. You say in paragraph 4 that you can’t remember the exact words, and perhaps that’s not surprising.
A. No. I can’t remember the exact words, no.
Q. But the overall impression you got was that here was a man, who you can’t identify, saying, ‘We’re going to compete with you’.
A. That’s right.

I turn to consider the law and begin by identifying what is not the law. There is no tort of copying. There is no tort of taking a man’s market or customers. Neither the market nor the customers are the plaintiff’s to own. There is no tort of making use of another’s goodwill as such. There is no tort of competition. I say this because at times the plaintiffs seemed close to relying on such torts. For instance, Mr Morcom reminded me of the old adage ‘Anything worth copying is worth protecting’.

At the heart of passing off lies deception or its likelihood, deception of the ultimate consumer in particular. Over the years passing off has developed from the classic case of the defendant selling his goods as and for those of the plaintiff to cover other kinds of deception, eg that the defendant’s goods are the same as those of the plaintiff when they are not, eg *Combe International Ltd v Scholl (UK) Ltd* [1980] RPC 1; or that the defendant’s goods are the same as goods sold by a class of persons of which the plaintiff is a member when they are not, eg *Warnink (Erven) BV v J Townend & Sons Ltd* [1980] RPC 29. Never has the tort shown even a slight tendency to stray beyond cases of deception. Were it to do so it would enter the field of honest competition, declared unlawful for some reason other than deceptiveness. Why there should be any such reason I cannot imagine. It would serve only to stifle competition.

The foundation of the plaintiff’s case here must therefore lie in deception. Mr Morcom acknowledged this when he relied upon the classic exposition of the tort by Lord Halsbury in *Reddaway v Banham* [1896] 13 RPC 218, 224:

> ... For myself, I believe the principle of law may be very plainly stated, and that is that nobody has any right to represent his goods as the goods of somebody else.

How far the use of particular words, signs, or pictures does, or does not come up to the proposition which I have enunciated in each particular case, must always be a question of evidence and the more simple the phraseology, the more like it is to a mere description of the article sold, the greater becomes the difficulty of proof, but if the proof establishes the fact, the legal consequence appeared to follow ...
Mr Morcom argued that it makes no difference whether there is a misrepresentation by the use of a trademark, sign or whether it is by the very appearance of the goods themselves. In the latter case he said it makes no difference whether the goods are ‘functional’ (either in the sense of having eye-appeal or in the purely mechanical sense) or not. He pointed to the use of the words ‘other means’ in the judgment of James LJ in Singer Manufacturing Co v Loog (1880) 18 Ch D 395 at 412, approved by Lord Macnaghten in Reddaway at p 231:

... no man is permitted to use any mark, sign or symbol, device, or other means, whereby, without making a direct false representation himself to a purchaser, who purchases from him, he enables such purchaser to tell a lie, or to make a false representation to somebody else who is the ultimate customer.

Any ‘means’ which makes the misrepresentation will do, was his argument. He reinforced this by reference to the speech of Lord Herschell in Reddaway, at p 228:

It is this fundamental rule [ie that purchasers should not be deceived] which governs all cases, whatever be the particular mode adopted by any man for passing off his goods as those of a rival trader, whether it is done by the use of mark which become his trademark, or in any other way ...

Finally, said Mr Morcom, the matter was concluded by the speech of Lord Jauncey (with whom Lords Bridge, Brandon and Goff agreed) in the Jif Lemon case, Reckitt & Colman Products Ltd v Borden Inc [1990] RPC 341 at 425:

... The appellants advanced a subsidiary argument to the effect that the article here was a plastic lemon containing lemon juice and that get-up which forms part of the article cannot be protected. The common law, it was said, will not recognise a monopoly in the overall shape of an article of commerce ... My Lords, even if the plastic lemon were part of the article I do not consider that the proposition is sound. In the Dolly Blue case the plaintiffs got up blues or tints in simple unmarked bags with a stick in them, which performed a function of utility when the bags were dipped in water. The defendants copied the plaintiffs’ bags and sticks but labelled the bags with their name. This House held that upon the facts the defendants had taken insufficient steps to distinguish their goods from the plaintiffs’ ...

Lord Jauncey then referred to the ‘glass dogs’ case, British American Glass v Winton [1962] RPC 230 and continued:

In my view these two cases are merely examples of the general principle that no man may sell his goods under the pretence that they are the goods of another. This principle applies as well to the goods themselves as to their get-up. ‘A’ markets a ratchet screwdriver with a distinctively shaped handle, the screwdriver has acquired a reputation for reliability and utility and is generally recognised by the public as being the product of ‘A’ because of its handle. ‘A’ would be entitled to protection against ‘B’ if the latter sought to market a ratchet screwdriver with a similarly shaped handle without taking sufficient steps to see that the public were not misled into thinking that his product was that of ‘A’. It is important to remember that such protection does not confer on the plaintiff monopoly
in the sale of ratchet screwdrivers nor even in the sale of such screwdrivers with similarly distinctive handles if other appropriate means can be found of distinguishing the two products. Once again it will be a question of fact whether the distinguishing features are sufficient to avoid deception.

In *Jif*, Lord Oliver (with whom the same three learned Lords agreed) was more circumspect. He left the matter open:

... Whether in fact the particular shape or configuration of the very object sold by a trader is incapable as a matter of law of protection in a case where it has become associated exclusively with his business is a proposition which is at least open to doubt.

Though he added:

... where the article sold is conjoined with an object which, whilst serving the functional purpose of enabling the article to be more effectively employed, is of a shape or configuration which has become specifically identified with a particular manufacturer, the latter may be entitled to protection against the deceptive use in conjunction with similar articles of objects fashioned in the same or a closely similar shape.

I think Mr Morcom was right thus far. Not only must I apply the views of Lord Jauncey; I think the law would end up in difficulties if it were any other way. The alternative view of the law would allow a defendant, who is in fact deceiving the public, to continue to do so for some policy reason. It would have to be a very good reason indeed to allow the deception. The sort of suggested policy reason is that where there is a no-longer-patented functional article, anyone should be free to copy. But so he is. What he may not do is to deceive the public and he must do enough to avoid that.

At one point in time the law seemed to draw a distinction between a ‘capricious addition’ and the ‘article itself’ – between the ‘thing’ and the ‘thing got up’. This contrast is that of Fletcher Moulton LJ in *Williams v Bronnley* (1909) 28 RPC 771:

The essence, therefore, of the action is that you must show that there is a distinctive get-up which has acquired [a] secondary meaning in the eye of the public ...

I have a great deal of disinclination to treat the tin box as part of the get-up. The get-up of an article means a capricious addition to the article itself, the colour, or the shape it may be, or the wrapper, or anything of the kind; but I strongly object to look at anything that has a value in use, as part of the get-up of the article. Anything which is in itself useful appears to me rightly to belong to the article itself.

Even though that passage has been oft cited it was not treated as helpful by the House of Lords in *Jif*. Nor is it consistent with the *Dolly Blue case, Edge v Nicolls* (1911) 28 RPC 582, where a passing off action protected the plaintiffs’ article from a close imitation. The passage contains within it the seeds of an intractable problem: how do you distinguish between a capricious addition and the article itself? One can obviously understand a wrapper or paint. But things which ‘have a value in use’ call also be ‘get-up’, eg the handle of the dolly. Even if one adopts the notion ‘capricious feature’ rather than ‘capricious
addition’ (so as to get out of the way the concept of the article on the one hand and a mark or the like being added to it), one ends up with arguments about the necessity of a particular shape: the plaintiff says ‘well you could have made it work the same way but made it look different’ and the defendant says ‘no I couldn’t because of such and such technical reason – the shape of my goods is dictated by utility’. The law of registered designs shows what a horrendous road that is, and I cannot think it has any place in a passing off action where the public are being deceived. I had some of that sort of argument and evidence here.

So when the court is concerned with the appearance of the article itself, if the ingredients of passing off are made out, there is no policy exception by way of defence. The defendant must always do enough to avoid deception to escape liability.

Now the ingredients of passing off are the ‘classical trinity’ (per Nourse LJ in the Parma Ham case, Consorzio del Prosciutto di Parma v Marks & Spencer [1991] RPC 351), namely (1) goodwill of the plaintiff, (2) misrepresentation by the defendant, (3) consequent damage. The plaintiff’s problem of proof when there is no manifest badge of trade origin such as a trademark becomes hard. This is so in the case of a descriptive or semi-descriptive word such as ‘camel-hair’. It is perhaps even more so where one is concerned simply with the appearance of the article with no self-evident trade origin frill or embellishment. For people are likely to buy the article because of what it is, not in reliance on any belief of any particular trade origin. This is so whether they buy it for its eye-appeal (eg glass dogs) or for what it does (eg the copy Rubik cube of Polytechnika etc v Dallas Print Transfers Ltd [1982] FSR 529).

The plaintiff’s problem of proof lies in relation to the first two items of the trinity, which are related. It is not good enough for him to show that his article is widely recognised – has a ‘reputation’ in that general sense. The ‘Louis furniture’ of Jarman & Blatt v Barget [1977] FSR 260 had virtually ‘captured the market’ but that did not:

begin to prove that a substantial number of the members of the public who buy those goods do so because they know of, or have any interest in, the particular source of the goods: or that they are attracted to buy those goods because of their knowledge or belief that the emanate from a particular maker: per Megaw LJ (at p 273).

Exactly the same thought is so clearly expressed by Judge Learned Hand in Crescent Tool v Kilborn & Bishop (1917) 247 F 299, a case about an adjustable wrench widely sold and trademarked ‘Crescent’. He said, after finding that no adjustable wrench of precisely the same character had ever appeared on the market:

... all of these (ie cases where a secondary meaning has been shown) presuppose that the appearance of the article like its descriptive title in the true cases of ‘secondary’ meaning has become associated in the public mind with the first comer as manufacturer or source, and, if a second comer imitates the article exactly, that the public will believe his goods to have come from the first, and will buy, in part at least, because of that deception. Therefore it is apparent that it is an absolute condition to any
relief whatever that the plaintiff show that the appearance of his wares has in fact come to mean that some particular person – the plaintiff may not be individually known – makes them, and the public cares who does make them, and not merely for their appearance and structure. It will not be enough only to show how pleasing they are, because all the features of beauty or utility which command them to the public are by hypothesis already in the public domain ...

The critical question of fact at the outset always is whether the public is moved in any degree to buy the article because of its source and what are the features by which it distinguishes that source. Unless the plaintiff can answer this question he can take no step forward. No degree of mutation of detail is actionable in its absence ...

It is not enough to show the wrench became popular under the name ‘Crescent’: the plaintiff must prove that before 1910 the public had already established the habit of buying it, not solely because they wanted that kind of wrench, but because they also wanted a ‘Crescent’ and thought that all such wrenches were Crescents ...

I believe that exactly encapsulates what must be shown when the plaintiff is complaining, in a passing off action, about a copy of his product as such. Is the public ‘moved to buy by source’?

It is, I think, precisely because the difficulties of proof are so great that successful cases of passing off based on the shape of the goods are so rare. Edge v Nicolls is, of course the prime example. There the evidence was all by affidavit which proved source motivation based on appearance. The customers, the ‘washerwomen, cottagers and other persons in a humble station in life’ per Lord Gorell (at p 593) wanted the plaintiff’s goods, and none other, and relied upon the appearance of the product to get them. Another case is Elliott v Hodgson (1902) 19 RPC 518, but the blunt end of the plaintiff’s cigars in that case could fairly be described as a ‘capricious’ feature rather than a feature in its own right which the customers wanted as such. The Hong Kong case of Kemtron Properties Pty Ltd v Jimmy’s Co Ltd [1979] FSR 86 (about a copy electric fan) is perhaps a third, but the decision was only interlocutory. Moreover there does not seem to be any ‘source motivation’ evidence referred to in the judgment, which is a little surprising since both parties’ fans were marked with their respective trademarks. I do not think Kemtron is a helpful case.

Mr Morcom pressed me with a proposition based on length of use. He suggested that where a particular trader had been the sole source of a product recognised by its appearance by users for a sufficient time, that recognition somehow turned into a relevant reputation: that it should be assumed consumers had come to want the product not only for its functional or visual qualities, but because they wanted the product from that particular trade origin and none other. Length (and extent) of use is obviously relevant to establishing recognition by the public. But it can never be enough on its own to establish what might be called ‘brand loyalty’ for the shape of the product itself.

In the end, the case comes down to two simple questions. Have the plaintiffs proved that the shape of their cushion is the ‘crucial point of reference’ for
those who want a specifically a ROHO cushion (cf finding 4 of Walton J in Jif quoted by Lord Jauncey). And have they proved that persons wishing to buy a ROHO cushion are likely to be misled into buying the FLOTAIR (cf question 2 of Lord Jauncey in Jif and question 3 of Lord Oliver).

Before turning to the evidence I would make one general observation. It was the Rev Wm Paley who said: ‘The watch must have had a maker’. In that sense every manufactured article conveys a representation – that it had a maker. Now where an article has a readily distinguishable appearance and there has only been one maker, once the article becomes well known in the market, consumers when they see an article like that may assume that it is made by the same maker as he who made the articles of that individual appearance which they have seen before. So, in the instant case, almost all those who casually saw the FLOTAIR cushion (or just a picture of it) reacted by saying ‘that is a ROHO’. One more precisely said ‘that is a ROHO or a convincing copy’. This sort of evidence alone can seldom, if ever, satisfy the legal test for passing off. It does not prove that anyone relies upon the appearance to get the product of the maker they want. Speaking of descriptive words, Lord Oliver in Jif said:

Confusion resulting from the lawful right of another trader to employ as indicative of the nature of his goods terms which are common to the trade gives rise to no cause for action. The application by a trader to his goods of an accepted trade description of ordinary English terms may give to confusion. It probably will do so where previously another trader was the only person in the market dealing in those goods, for a public which knows only of A will be prone to assume that any similar goods emanate from A. But there can be no cause of action in passing off simply because there will have been no misrepresentation.

The same goes for the appearance of the goods when the appearance is not self-evidently a badge of trade origin.

In this case Ward’s had not even commenced serious marketing of the FLOTAIR before the plaintiffs obtained an ex parte injunction which, by consent, was in due course continued to trial. The injunction was absolute in that it prevented any marketing of the Asklé cushion until judgment. All Ward’s had done was to exhibit at one exhibition. A certain amount of interest was generated and some even tried to place orders, though the product was not available for sale. So the action is essentially quia timet. There was little room for instances of actual deception. I have therefore to decide by way of inference from the way these goods are sold and reach users whether actual deception is likely.

The evidence establishes, as I have said, that these cushions are expensive. They are not bought casually. They are far removed from the ‘penny packets’ of the Dolly Blue or the cheap plastic lemons of Jif. This sort of cushioning is invariably bought at the instance of and fitted by a healthcare professional. It is true that there may be occasional instances where one user may ask another about what cushion that other has. But even where that happens and the user would like to try a ROHO, the process of supply will intimately involve a healthcare professional. Not only will the make of cushion be determined by the healthcare professional, but the precise model will also be determined.
Moreover the cushion, once obtained, will be adjusted by a healthcare professional.

Further it seems abundantly clear that Ward’s will not be able to sell the FLO’TAIR unless and until it has been evaluated and tested to the satisfaction of the healthcare professionals of its various potential customers. No doubt its salesmen will at least say it is as good as the ROHO (probably they will say it is better). But such is the care taken that healthcare professionals will not prescribe it until they have satisfied themselves of its effectiveness.

Now all the healthcare professionals I heard struck me particularly as not only caring but also careful people. Not one of them (and I heard from healthcare professionals called by both sides) suggested they would themselves be deceived. The process of ordering itself rules deception out. The main customer is the National Health Service, although, of course, there are also private customers such as charities and private hospitals and nursing homes. There are variations between the ways things are done between regions of the NHS and as to how private purchasers buy. None of this matters. Always it is a healthcare professional who initiates a purchase. Once such a professional decides a particular type of ROHO is needed, he or she puts in a written requisition. That must identify the particular type of ROHO wanted. If it does not, then the ordering department cannot move and must go back to the prescriber. Most orders mention ROHO by name (for instance the Welsh form requires the name of the maker). In some instances no name is used, but simply the model number. Those responsible for ordering (who are, of course, responsible for ordering a vast range of other things too) then process the order.

In those circumstances the likelihood of deception seems to me to be non-existent. I must, however, in fairness to Mr Morcom, go through the ways in which he suggested there might be deception. He helpfully listed these and I follow his suggestions in the order they were put:

Suggestion 1: ‘A person (healthcare professional, supplies office, user) sees a FLO’TAIR and believes it is a ROHO’.

This may happen with a casual look. It did, for instance, in the case of a Mrs Smith from the Royal Star and Garter Home who saw the Asklé product on Ward’s stand at an exhibition. She was not interested in the product. But this is far from passing off. Mr Morcom also particularly relied upon the evidence of Miss Mee given for the defendants. She said:

If I had been shown a FLO’TAIR cushion without any labels or markings on it I would have assumed that the FLO’TAIR cushion originated from Roho because I am very familiar with the ROHO ‘bubble’ cushion and was not aware of any product similar to the ROHO ... Having examined the FLO’TAIR cushion I would not make the assumption it was a ROHO, particularly as I now know there is another manufacturer on the market. Even without this knowledge I would have known it is not a ROHO from the label.

Again this is simply not passing off. There is no misrepresentation.
Suggestion 2: ‘A person orders a FLO’TAIR believing they are ordering a ROHO or a product which is in some way associated with the manufacturers of ROHO cushions’.

Even if that were established it would not be enough, for there is no ingredient of reliance in the suggestion. Anyway the facts are not, in my judgment, established. The nearest Mr Morcom came was in the evidence of Mrs Harman. She said in her witness statement:

When I first saw the brochure detailing the FLO’TAIR cushion my immediate reaction was that it was a Roho cushion.

That does not establish that she would order a FLO’TAIR in reliance on that belief. Moreover in practice she would not prescribe a cushion without being satisfied that it was right for the job.

Suggestion 3: ‘A healthcare professional sees the FLO’TAIR cushion outside its box in a stack of cushions. He or she considers that it is a ROHO cushion and gives it to the user, believing it to be a ROHO’.

Suggestion 4: ‘A user, who has been told that he is to have a ROHO cushion, is given a FLO’TAIR cushion by a healthcare professional. The user believes that it is a ROHO cushion or made by Roho either because he or she has not been told by the professional that it is not a ROHO or because he or she attaches no significance to the name’.

Mr Morcom took suggestions 3 and 4 together. Reliance was placed on the fact that some organisations tend to lose the boxes of products, and store them fairly haphazardly. Others (eg the Royal Star & Garter) do not. What is said is that the printed matter on the cushion may wear off and then a FLO’TAIR might be tried by mistake for a ROHO. Moreover, it is said that if a prescription were changed the user might not be told of the change.

None of this to my mind begins to establish passing off. If one really cared about the make of a used cushion being tried or supplied then one could tell the difference between them, quite apart front the labelling. But in any event the kind of confusion suggested (which I do not regard as arising from a misrepresentation) would be long after the sale. Further, in my practice, by the time the FLO’TAIR had been on the market long enough for the labels to be worn off, most healthcare professionals would be well aware of the alternative make. Indeed, Mr Morcom submitted that Ward’s would make very substantial sales very quickly: this they could only do by persuading the ordering healthcare professionals that the FLO’TAIR worked and was good value.

Suggestion 5: ‘The prescriber or user sees the FLO’TAIR cushion – they see the FLO’TAIR label and assume it is a new type of ROHO cushion, eg like the QUADTRO, ENHANCER or NEXUS’.

Again Mrs Harman’s evidence is relied upon. For the reasons I have given, it does not establish passing off. Also relied upon are two instances of returns to Raymar of products for repair. It is said to establish that the use of an unknown name is not a sufficient distinction.

The cushions concerned were made by a German company called Orto. They were greeny/blue and five rather than four-finned. The product was
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on the market briefly in about 1988. It was withdrawn after Orto gave wide undertakings in response to threats of a passing off action. What happened was that Raymar received two of these cushions for repair: in one instance there had been a telephone conversation with someone at Raymar (who was not called) and in the other a box of five ROHOs and one ORTO arrived. The single ORTO was described in the repair request as a ROHO, and the six cushions were described as ROHO. Who wrote the requests is unknown.

I was invited to assume that whoever sent the products for repair thought that ORTOs were made by Roho. This I decline to do. There is simply not enough evidence to go on. I think it most unlikely that the person actually sending the cushions was anything other than a clerk or the like. I have no reason to suppose that any serious consideration of the maker of the cushion arose. It may well be that the senders thought Roho could repair the cushion even though it was a different make (hence the importance of the telephone conversation). Indeed in one of the cases ORTO had gone off the market and Raymar were probably the only people who might be able to effect repair.

Suggestion 6: ‘A supplies department substitutes a FLO’TAIR for a ROHO in an order because it is cheaper. Either the professional or the user or both is not told that a substitution has been made and believes that they have a ROHO’.

Because of great budget pressure it was suggested that in some cases the ordering department might, of its own volition, substitute a FLO’TAIR for a ROHO without consulting the prescriber. I reject the suggestion as wholly improbable. There was no evidence of any authority in any supplies department to make a substitution for goods requisitioned by a clinical prescriber. One only has to think of the product liability position of a hospital if such were the practice to see that it cannot be so. There was evidence of one instance where a wrong type (a gel) was supplied. That seems to have caused a slight furore and was the subject of an investigation. Ordering departments might well get the idea that the FLO’TAIR is a cheaper equivalent and exert pressure on the healthcare professional to change. But that is not passing off.

Even if the ordering department did on its own order FLO’TAIR, not ROHO, this would be immediately apparent on delivery to the healthcare professional, for the product comes in a different box and, when new, will be clearly marked. If the healthcare professional decided to accept the substitute the decision would be conscious and deliberate – which is miles from that kind of passing off called ‘passing off by substitution’ – where an order for goods under trademark A is placed and goods under mark B are supplied, for instance when drinks are ordered in a bar.

Suggestion 7: ‘A FLO’TAIR cushion becomes damaged – a healthcare professional or user sends it to Raymar for repair because he or she believes that Raymar provided it, knowing that Raymar ‘source’ ROHO cushions’.
This would not be passing off even if it were likely. I do not think it is. Mr Morcom relies on the ORTO cushion incidents. As I have said, I have no reason to believe that the ORTO products were sent to Roho by a healthcare professional.

Suggestion 8: ‘A user or healthcare professional believes that because the FLO’TAIR looks identical to the ROHO, it is a product manufactured by Roho or under licence by Roho and therefore believes it will have the same performance characteristics’.

There are two aspects to this: the belief as to source and the belief as to characteristics. I do not find any evidence of weight as to any such belief as to source. As to belief as to characteristics tied to source, this would add nothing. In fact the evidence establishes that healthcare professionals are much too careful to go on belief as to characteristics of a new product: it would be tried and tested in detail before it was purchased, even though it looks like a ROHO.

In the result the action fails.

A representation may amount to passing off even though it is an accurate description of the goods; Reddaway v Banham concerned ‘camel-hair belting’, which accurately described the product but which the market understood as meaning the plaintiff’s goods. But the court did not prevent the defendant describing his goods as camel-hair – it only stopped him describing them in a confusing manner. Innocent misrepresentation may still be actionable.

The principle extends to passing off one’s business as another’s, or as being connected or associated with another’s (Office Cleaning Services Limited v Westminster Windows and General Cleaners Limited (1946) 63 RPC 39). It also extends to traders representing ‘seconds’ as goods of the manufacturer’s usual quality: Spalding v Gamage [1915] 32 RPC 273 is the classic example of this use of the action. The defendants sold stocks of the plaintiffs’ moulded footballs which had been discarded because faults had been found in them. The defendants’ advertising also imitated a notice put out by the plaintiffs relating to the new sewn footballs they were making. Lord Parker of Waddington for the House of Lords held:

My Lords, the action in which the appeal arises is what is known as a passing off action, and having regard to the arguments which have been addressed to your Lordships, I think it well to say a few words as to the principle on which such actions are founded. The principle is stated by Lord Justice Turner in Burgess v Burgess 14 Ch D at 748 and by Lord Halsbury in Reddaway v Banham [1906] AC at 204 in the proposition that nobody has any right to represent his goods as the goods of somebody else. It is also sometimes stated in the proposition that nobody has the right to pass off his goods as the goods of somebody else. I prefer the long statement, for whatever doubts may be suggested in the earlier authorities, it has long been settled that actual passing off of a defendant’s goods for the plaintiff’s need not be proved as a condition precedent to relief in equity either by way of an injunction or of an enquiry as to profits or damages (Edelsten v Edelsten 1 De G J & S 185, and Iron-Ox Remedy Company Ltd v Co-operative Wholesale Society Ltd 24 RPC 425). Nor need the
representation be fraudulently made. It is enough that it has in fact been made, whether fraudulently or otherwise, and that damages may probably ensue, though the complete innocence of the party making it may be a reason for limiting the account of profits to the period subsequent to the date at which he becomes aware of the true facts. The representation is in fact treated as the invasion of a right giving rise at any rate to nominal damages, the enquiry being granted at the plaintiff's risk if he might probably have suffered more than nominal damages.

The view taken by the common law courts was somewhat different. The plaintiff's remedy was said to have been in the nature of an action for deceit, but it only resembled the action for deceit in the fact that the misrepresentation relied on must have been fraudulently made. In all other respects it differed from an action for deceit. For example, the plaintiff was not the party deceived, and even if it were necessary to prove that someone had been deceived, nominal damage could be obtained though no actual damage was proved. Thus in Blofield v Payne 4 B & Ad 410 the defendants had sold their own honeys in the plaintiff's wrappers as and for the plaintiffs', but there was no evidence that any purchasers had been actually deceived. Further, though special damage was alleged in the declaration, no actual damage was proved. On motion for a non-suit it was held in the King's Bench that the plaintiff was entitled to nominal damages. The action was, in fact, treated as one founded on the invasion of a right.

My Lords, the proposition that no one has a right to represent his goods as the goods of somebody else must, I think, as has been assumed in this case, involve as a corollary the further proposition, that no one, who has in his hands the goods of another of a particular class or quality, has a right to represent these goods to be the goods of that other of a different quality or belonging to a different class. Possibly, therefore, the principle ought to be restated as follows: A cannot, without infringing the rights of B, represent goods which are not B's goods or B's goods of a particular class or quality to be B's goods or B's goods of that particular class or quality. The wrong for which relief is sought in a passing off action consists in every case of a representation of this nature.

My Lords, the basis of a passing off action being a false representation by the defendant, it must be proved in each case as a fact that the false representation was made. It may, of course, have been made in express words, but cases of express misrepresentation of this sort are rare. The more common case is, where the representation is implied in the use or imitation of a mark, trade name, or get-up with which the goods of another are associated in the minds of the public, or of a particular class of the public. In such cases the point to be decided is whether, having regard to all the circumstances of the case, the use by the defendant, in connection with the goods of the mark name, or get-up in question impliedly represents such goods to be the goods of the plaintiff, or the goods of the plaintiff of a particular class or quality, or, as it is sometimes put, whether the defendant's use of such mark, name, or get-up is calculated to deceive. It would, however, be impossible to enumerate or classify all the possible ways in which a man may make the false representation relied on.
There appears to be considerable diversity of opinion as to the nature of the right, the invasion of which is the subject of what are known as passing off actions. The more general opinion appears to be that the right is a right of property. This view naturally demands an answer to the question, ‘property in what?’ Some authorities say property in the mark, name, or get-up improperly used by the defendant. Others say, property in the business or goodwill likely to be injured by the misrepresentation. Lord Herschell in *Reddaway v Banham* [1896] AC 199 expressly dissents from the former view; and if the right invaded is a right of property at all, there are, I think, strong reasons for preferring the latter view. In the first place, cases of misrepresentation by the use of a mark, name, or get-up do not exhaust all possible cases of misrepresentation. If A says falsely, ‘These goods I am selling are B’s goods’, there is no mark, name or get-up infringed unless it be B’s name, and if he falsely says, ‘These are B’s goods of a particular quality’, where the goods are in fact B’s goods, there is no name that is infringed at all. Further, it is extremely difficult to see how a man can be said to have property in descriptive words, such as ‘camel-hair’ in the case of *Reddaway v Banham* where every trader is entitled to use the words, provided only he uses them in such a way as not to be calculated to deceive. Even in the case of what are sometimes referred to as common law trademarks the property, if any, of the so-called owner is in its nature transitory, and only exists so long as the mark is distinctive of his goods in the eyes of the public or a class of the public. Indeed, the necessity of proving this distinctiveness in each case as a step in the proof of the false representation relied on was one of the evils sought to be remedied by the Trade Marks Act 1875, which conferred a real right of property on the owner of a registered mark. I had to consider the matter in the case of *Burberry v Cording* 26 RPC 693 and I came to the same conclusion.

His Lordship concluded that there had been misrepresentation about the quality of the balls sold under the plaintiffs’ trademark by the defendant, and that it was likely to occasion actual damage to the plaintiffs. In particular, retailers who had purchased the new footballs at a price above the defendant’s thought that they were being unfairly treated and were likely to withdraw custom.

The plaintiff’s reputation and goodwill may also be damaged if prospective customers are shown the plaintiff’s products by the defendant so as to suggest that they are the defendant’s. In *Bristol Conservatories Ltd v Conservatories Custom Built Ltd* [1989] RPC 455 the defendants used photographs of conservatories actually built by the plaintiffs when trying to sell their own conservatories. There was no express suggestion that the photographs were of the defendants’ conservatories, so although there was a misrepresentation there was no confusion in the minds of prospective customers. They were not being led to believe that the conservatory they might order would be supplied by the plaintiff. Nevertheless, the plaintiffs succeeded in their action for passing off. More recently, in *Harrods v The Harrodian School* (1996) *The Times*, 3 April, CA, a lack of confusion was held to
be fatal to Harrods’ claim for passing off. The Elderflower Champagne case also calls into question the need for confusion to be present for a passing off action to succeed.

**PLAINTIFF HAS SUFFICIENT GOODWILL IN ‘GET-UP’**

The basis of all passing off actions is the protection of goodwill. In *Star Industrial Co Limited v Yap Kwee Kor* [1975] FSR 256 the appellant, a Hong Kong company, made toothbrushes which it sold in Singapore under the mark ‘Ace Brand’ with accompanying device. This mark was not registered in Singapore. In October 1965, the Singapore government imposed an import duty which made the appellant’s trade unprofitable. In 1968 the respondent, a Singapore toothbrush manufacturer, changed its name to the New Star Industrial Co and adopted the appellant’s mark for its toothbrushes, later forming a jointly-owned subsidiary in Singapore and granting it the exclusive use of the mark.

Lord Diplock held:

At common law this right of user of the mark or get-up in Singapore was incapable of being assigned except with the goodwill of that part of the business of the Hong Kong company in connection with which it had previously been used. So, if despite the temporary cesser of the Hong Kong company’s business in Singapore after the import duty on toothbrushes had been imposed in 1965, it still retained – as well it might (cf *Mouson & Co v Boehm* [1884] 26 Ch D 398) – a residue of goodwill capable of being revived in 1968, any right of property in that goodwill would have passed to the Singapore company under the agreement. The Singapore company is not a party to these proceedings and their Lordships express no view as to what rights, if any, it would have been entitled to enforce against the respondent if it had been the plaintiff in a passing off action brought against him.

Their Lordships mention this, however, because the burden of the appellant’s argument before the Board has been that the common law ought to provide the Hong Kong company itself with a remedy against the respondent for the financial loss which it will sustain in the form of reduced dividends and royalties receivable from the Singapore company, as a result of the respondent’s piracy of the mark or get-up. The argument has been put in an alternative way.

The first is that the case of *Warwick Tyre Company Ltd v New Motor and General Rubber Co Ltd* [1910] 1 Ch 248; (1910) 27 RPC 161; 101 LT 889 is authority for the proposition that at common law a person who, in a business carried on by him, has used an unregistered mark or get-up to which goodwill has become attached, thereby requires a property in the mark or get-up which he may exploit by conferring for reward upon some other person the right to use the mark or get-up in his own business: and that this method of exploitation of the
mark or get-up is entitled to protection at common law in an action at his suit for passing off, notwithstanding that he himself has ceased to carry on the business in which the mark or get-up is used. In the *Warwick* case the mark ‘Warwick’ had originally been used by the plaintiff company upon tyres which it manufactured and sold itself. At the time when it brought a passing off action to restrain the use of the mark by a third party it had entered into an agreement with another company (‘the Dunlop Company’) under which tyres bearing the mark ‘Warwick’ were manufactured and sold for it by the Dunlop Company. It is not possible from any of the three reports of the case to discover what were the terms of the agreement between the plaintiff company and the Dunlop Company, but from the language used by Neville J in his judgment the inference is that the Dunlop Company had been appointed to act as selling agent for the plaintiff company for an agreed period. Whether upon the particular, but unknown, facts of the case the judge’s decision in favour of the plaintiff company was right in law it is not now possible to say; but, in any event, the judge’s reasoning is vitiated by the fact that it is based upon the assumption, later rejected by the House of Lords in the *Gamage* case, that what was entitled to protection by a passing off action was a right of property in the mark itself – not a right of property in the business or goodwill in connection with which the mark was being used. In their Lordships’ view the *Warwick* case cannot now be treated as authority in support of the appellant’s argument.

There must be a business or trading presence in this country – a ‘spill-over’ reputation is not enough. In *Anheuser-Busch Inc v Budejovicky Budvar Narodni Podnik* [1984] FSR 413 the plaintiffs had brewed and sold beer under the trademark Budweiser in the US for more than a century. The name came from the Czech town Budweis, now Ceske Budeovice, and alluded to the brewing techniques used there in much the same way as the town of Pilsen gave its name to a type of beer.

When the American brewer Adolphus Busch toured Europe in the late 19th century to study the lagering technique, he was particularly taken with the beers of ... Budweis ... once the home of the Bohemian royal court brewery. He decided upon this allusion when he launched his ‘King of Beers’ in the US in 1876, but he had the sense to protect the name Budweiser. 

A compromise agreement with the brewers of Budweis had given the plaintiffs exclusive rights in the mark outside Europe.

The defendants were successors to a brewing business in that town started in 1895. From 1960 they used ‘Budweiser’ as a mark for their beer when exported from Czechoslovakia with labels in English, French and German. The plaintiffs had sold no significant quantity of their beer to the general public in the UK before 1974, and until 1980 sold only small quantities. Thereafter they began to build a regular export trade. Well before this,
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however, their beer had been regularly supplied in the UK to US diplomatic and military personnel through US embassy and PX outlets. At the end of 1973, the defendants began a successful export business in the Czech beer to the UK. There was considerable evidence that as a result the public had become confused about the source of ‘Budweiser’ beer in the UK. The plaintiffs sued for passing off. In the Court of Appeal Oliver LJ decided:

The critical question ... is what was the position when the defendants first entered the English market with their Budweiser beer in 1973/4? The learned judge’s own findings establish that the plaintiffs already had by then a reputation with a substantial number of people in this country, but he regarded the plaintiffs as not themselves being in the market, and he attributed no significance to any goodwill attached to the sales of the plaintiffs’ beer through the PX as a property which might be affected by the defendants’ activities and which the plaintiffs might be entitled to protect. In this, Mr Kentridge submits, he was wrong, and it is the significance to be attached to these sales which forms the real bone of contention between the parties and which is, to my mind, the only really substantial point in the case. The question, in its simplest form, may be expressed thus: how far is it an essential ingredient of a successful claim in passing off that the plaintiff should have established in this country a business in which his goods or services are sold to the general public on the open market?

... The substantial submission made on behalf of the defendants, however, is that the plaintiffs in this case do not satisfy Lord Fraser’s first, third, fourth and fifth requirements. When the defendants first started to trade here, it is submitted, the plaintiffs had no business here and accordingly no goodwill in any relevant sense, and they could not thus suffer any damage from the defendants’ activities which would ground an action here.

As mentioned above, Whitford J found as a fact that the plaintiffs’ name Budweiser was well known to a substantial number of people in this country (leaving aside for the moment US servicemen temporarily resident here) as a name associated with the beer brewed by the plaintiffs in the US. The plaintiffs can thus legitimately claim that before the defendants’ entry into the market here, they had a reputation as the brewers of a beer, Budweiser, with a substantial section of the public. The question is whether this reputation associated with a beer which, for practical purposes, nobody could buy here, constituted a goodwill in any relevant sense.

In the Advocaat case, Lord Diplock, p 744, adverted to the fact that for a trader to establish his right as plaintiff he ‘must have himself used the descriptive term long enough in the market in connection with his own goods and have traded successfully enough to have built up a goodwill for his business’. This was, of course, said in the context of a claim by a group of traders all engaged in selling goods under a particular descriptive term, but it emphasises the point that goodwill (as opposed to mere reputation) does not exist here apart from a business carried on here.
This emerges with even greater clarity from the decision of the Privy Council in Star Industrial Company Limited v Yap Kwee Kor. In that case it was quite clear that the defendant in Singapore had quite deliberately adopted the market and get-up formerly used there by the plaintiffs in connection with their goods. But the facts were that the plaintiffs had discontinued their trade in Singapore three years before, and had no intention of resuming it. They had in fact assigned any residual goodwill that they had, and their rights, in the mark formerly used on their goods to a subsidiary company which was not a party to the action. Thus the action failed. Lord Diplock, in delivering the judgment of the Board, said:

A passing off action is a remedy for the invasion of a right of property not in the mark, name or get-up improperly used, but in the business or goodwill likely to be injured by the misrepresentation made by passing off one person’s goods as the goods of another. Goodwill, as the subject of proprietary rights, is incapable of subsisting by itself. It has no independent existence apart from the business to which it is attached. It is local in character and divisible; if the business is carried on in several countries a separate goodwill attaches to it in each. So when the business is abandoned in one country in which it has acquired a goodwill, the goodwill in that country perishes with it although the business may continue to be carried on in other countries.

The principle here enunciated by Lord Diplock is not, and indeed cannot very well be, disputed, but the question, to which no very clear answer emerges from the authorities, is what form of activity on the part of the plaintiff is required before it can be said that he has a ‘business’ here to which goodwill can attach? That the mere existence of a trading reputation in this country is insufficient in the absence of customers here is well exemplified by The Athletes’ Foot Marketing Associates Inc v Cobra Sports Ltd [1980] RPC 343, where Walton J helpfully reviewed all the earlier cases. That case bears some similarity to the present in this respect that although the plaintiffs (these like the plaintiffs in the instant case) had expended considerable sums in advertising, all their advertising had been in the US and was directed to the American market. There, as here, there was an awareness of the plaintiffs trade name and trading activities in a substantial section of the public in England, as a result of overspill publicity through American journals circulating here. There were, however, no customers in England, because the plaintiffs’ activities had got no further than the taking of preparatory steps for setting up business here.

The principle was expressed by Walton J, p 350 as follows:

... as a matter of principle, no trader can complain of passing off as against him in any territory – and it will usually be defined by national boundaries, although it is well conceivable in the modern world that it will not – in which he has no customers, nobody who is in a trade relation with him. This will normally shortly be expressed by saying that he does not

7 Above, p 703.
Passing Off

carry on any trade in that particular country ... but the inwardness of it will be that he has no customers in that country: no people who buy his goods or make use of his services (as the case may be) there.

This is, I think, a helpful statement, but needs, in the light of the authorities, to be approached with the caveat that ‘customers’ must not be read restrictively as confined to persons who are in a direct contractual relationship with the plaintiff, but includes persons who buy his goods in the market.

In Société Anonyme des Anciens Etablissements Panhard et Levassor v Panhard Levassor Motor Company Limited (1901) 18 RPC 405, the plaintiffs obtained an injunction against passing off. They had no business in England nor any agency here. Indeed their cars could not lawfully be imported into England without the licence of certain English patentees. There was, however, an English market for their cars in the sense that there was an importer (presumably with the appropriate licences) in England who bought their cars for resale and there were individuals who from time to time bought their cars in Paris and imported them into England. Farwell J observed that ‘England was one of their markets’. Thus here the sale of the plaintiffs’ goods by a third party and purchase and importation by English residents was regarded as a sufficient business to support the action.

Poiret v Jules Poiret Ltd (1920) 37 RPC 177 was another case in which the successful foreign plaintiff had no actual place of business in England, but he exhibited his goods here and sold to customers here either directly or through an agent.

The case of Sheraton Corporation of America v Sheraton Motels Limited [1964] RPC 202 may perhaps be said to represent the high water mark, for there the successful plaintiffs carried on no business in the UK save that bookings for their hotels abroad were effected through an office which they maintained in London and through travel agents in this country. The case is, however, a somewhat slender authority, for it was a motion for an interlocutory injunction, and the decision really proceeded on the footing that the plaintiffs might succeed at the trial in establishing a goodwill which was entitled to protection and that the balance of convenience dictated that they should be protected in the meantime.

It is, however, clear that it is not every activity in this country which might loosely be called a ‘business’ activity that qualifies as the carry on of a business here. Alain Bernardin et Cie v Pavilion Properties [1967] RPC 581 is a case in point. There the plaintiffs, who carried on a restaurant business in Paris under the title ‘The Crazy Horse Saloon’, had for many years publicised their establishment by publicity material distributed to tourist organisations and hotels in the UK. They failed to restrain the carrying on by the defendants of a restaurant in London under the same name. Pennycuick J referred to the classic statement of Lord Macnaghten in CLR v Muller & Co’s Margarine Ltd [1901] AC 217:

Goodwill has no independent existence. It cannot subsist by itself. It must be attached to a business. Destroy the business and the goodwill perishes.
with it, though elements remain which may perhaps be gathered up and be revived again.

He also referred to the judgment of Jenkins LJ in *Oertli AG v Bowman (London) Ltd* [1957] RPC 388, in which he said:

> It is of course essential to the success of any claim in respect of passing off based on the use of a given mark or get-up that the plaintiff should be able to show that the disputed mark or get-up has become by user in this country distinctive of the plaintiffs goods so that the use in relation to any goods of the kind dealt in by the plaintiff of that mark or get-up will be understood by the trade and public in this country as meaning that the goods are the plaintiffs’ goods.

Pennycuick J observed (p 584):

> The statement in the judgment of Jenkins LJ which I have just read unequivocally requires user to be in this country. That it seems to me is what one would expect: that the trader cannot acquire goodwill in this country without some sort of user in this country. His user may take many forms and in certain cases very slight activities have been held to suffice. On the other hand, I do not think that the mere sending to this country by a foreign trader of advertisements advertising his establishment abroad could fairly be treated as user in this country ... He may acquire a reputation in a wide sense in the sense of returning travellers speaking highly of that establishment, but it seems to me that those matters, although they may represent reputation in some wide sense, fall far short of user in this country and are not sufficient to establish reputation in the sense material for the purpose of a passing off action.

That case was followed by Brightman J, as he then was, in *Amway Corporation v Eurway International Ltd* [1974] RPC 82, where the only activity relied on by the plaintiffs apart from preliminary steps for commencing business were what were referred to as ‘minor trading activities’. Reliance was also placed on advertisements appearing in American journals circulating in England, such as the *National Geographic Magazine*. Brightman J held that this activity was entirely inadequate to support a passing off action based on goodwill in this country.

On the other hand, in *Globelegance BE v Sarkissian* [1974] RPC 603, where an internationally known fashion designer had exhibited in England, had sold patterns here which were made up into dresses sold under his trade name, and had supplied a modest, though not insubstantial, number of ties for resale here by retailers, Templeman J (as he then was) was prepared to hold that these activities were sufficient to constitute the carrying on of business here.

The plaintiffs in the instant case submit that they are not in any difficulty. They have proved, they submit, the existence here of a reputation with a substantial section of the public, and they have adduced evidence of sales here to such members of the public as have been admitted to bases and embassy canteens and bars and as have attended from time to time those open days and air displays which have been organised at US Air Force bases.
I confess that for my part I am quite unable to treat these sporadic and occasional sales as constituting in any real sense the carrying on by the plaintiffs of a business in this country. The fact is that no ordinary member of the public, whether he be indigenous or a foreign tourist, could consider himself a customer in this country for the plaintiffs' beer.

That, however, is not the end of the matter. If it is right, as I believe that it is, to regard the occasional and limited availability of the plaintiffs' beer to members of the British public in the UK as no more than a fortuitous overspill from the main area of supply, there remains the fact that the plaintiffs were in fact supplying to the PX for consumption in this country a rough average of 5,000,000 cans of beer every year – a supply which had begun well before the defendants' appearance and was continuing in 1973 when the defendants first started marketing in Great Britain under the name 'Budweiser'. The critical question upon which this appeal hinges seems to me to be whether this supply can properly be considered as the carrying on of a business in England creating a goodwill in this country which requires to be protected from the defendants' activities. If it does, then the occasional supply to non-service personnel adds nothing. If it does not, then it cannot, as it seems to me, be elevated by such occasional outside supply into something which it was not.

Now Mr Kentridge has, throughout his clear and helpful address to the court, repeatedly referred to goodwill in the words of Lord Macnaghten in the Muller's Margarine case as 'the attractive force which brings in custom'. But one asks oneself 'what custom in this country in 1973 was brought in by the knowledge of members of the indigenous British public of the plaintiffs' Budweiser beer?' And the answer must be that there was none, because however attractive they may have found the idea of drinking the plaintiffs' beer, they could not get it. Insofar, therefore, as anyone was misled by the defendants' use of the name 'Budweiser', the plaintiffs could suffer no damage either by loss of sales, for there were none at that time and none were contemplated, nor by loss of reputation, because if there was any such loss (which seems highly improbable) the reputation was quite unconnected with either an ability or a willingness to supply.

It may perhaps be tested in this way. Suppose an American product which is well known in America, but is and remains totally unknown to the general public in this country. It is, however, sold in the PX stores on American bases here but nowhere else. Is it credibly arguable that this could create a business goodwill in this country which would entitle the American manufacturer to a nationwide injunction against selling under a similar name in a market in which he does not sell and in which the name has never previously been used or heard of? It is, of course, true that some of the cases to which reference has been made above indicate that a business may be established by relatively modest acts. Nevertheless, all those cases have this feature in common, that the sales relied on were sales on the open market to the public generally. None was concerned with what we have here, namely sales on a closed and separate market to a particular section of the public only, having the qualification of belonging to or being employed by the US Services.

In my judgment, although for rather different reasons, the judge was right in the conclusion that he reached that both the defendants and the plaintiffs were
entitled to use the name Budweiser in this country, and I would therefore dismiss the appeal.

The get-up must denote the plaintiff’s goods or business exclusively, or with a limited number of others (J Bollinger v Costa Brava Wine Co Limited [1960] 1 All ER 561) – the Spanish Champagne case – where 12 Champagne producers were allowed to prevent the sale of ‘Champagne’. This case has now been followed in cases involving sherry, scotch whisky, and (most recently) elderflower Champagne (Taittinger v Allber [1993] 2 CMLR 741).

Distinctiveness is more easily shown with invented words or ‘fancy names’. Traders are well advised to avoid descriptive names: the British Diabetic Association case [1995] 5 All ER 812 turned on the similarity of the words ‘Association’ and ‘Society’. It also allows the shape of containers to be covered, as in Reckitt & Colman Ltd v Borden Inc.

THE DEFENDANT’S ACTIONS MUST BE LIKELY TO AND/OR HAVE ACTUALLY CAUSED DECEPTION

There is no need to prove fraud, meaning intention to pass off; but if there is no fraud, it is not necessary that the parties are competitors – all that is needed is sufficient similarity so traders or members of the public think the goods or services are from same source: Derek McCulloch v Lewis A May ( Produce Distributions) Limited [1947] RPC 58; and see Mirage Studios v Counter-Feat Clothing [1991] FSR 145.

Henderson v Radio Corporation [1969] RPC 218 the plaintiffs were well-known professional ballroom dancers. They sued the defendant record company for the unauthorised use of photographs of them on a record cover. The trial judge granted an injunction but refused an enquiry as to damages. In the Supreme Court of New South Wales Evatt CJ and Myers J held:

The respondents have contended that the acts of the appellant were likely to lead to the belief that the business of the appellant was connected with the business of the respondents because, it was said, the picture of the respondents on the record cover would lead buyers of the record to believe that the respondents recommended the record as providing good music for ballroom dancing.

Four witnesses were called on this issue on behalf of the respondents. They were the president of an association of dancing teachers, the secretary of another such association, a theatrical agent and the assistant secretary of the trade union to which the professional dancers belong. Each said in substance that when he saw the record he recognised either Henderson or Henderson and his wife and gathered from the fact that their pictures were on the cover, that they had sponsored, that is recommended or approved, the record, or were associated in some way with it. The appellant called no evidence on this aspect. His Honour did not express any adverse view of these witnesses but he
did not accept the view that buyers of the record would come to the same conclusion as the witnesses.

However, the facts relevant to this issue, including the evidence to which we have referred, are not in dispute. The only question is the proper inference to be drawn from them, and in those circumstances we are entitled to form our own opinion, *Benmax v Austin Motor Co Ltd* [1955] AC 370.

Unaided by evidence, one might consider that the dancing figures merely indicate the type of music on the record and that it is not possible to come to the conclusion for which the respondents contend. But one is not unaided by evidence and, having regard to the fact that the record was primarily intended for professional dancing teachers, and to the uncontradicted evidence of four experts in that field, we are of opinion that the proper finding is that the class of persons for whom the record was primarily intended would probably believe that the picture of the respondents on the cover indicated their recommendation or approval of the record. The only rational purpose of the wrongful use of the respondents’ photograph on the disc container was to assist the sale of the disc it contained.

This false representation was not only made by the appellant, but would almost inevitably lead to a similar false representation on the part of every shopkeeper who might buy the records from the appellant and sell them or display them for sale. It still remains to be considered whether that finding established the necessary element of deception, namely that the business of the appellant was connected with the business of the respondents. In our opinion it does.

The representation that the respondents recommended the record is an inducement to buy it. The recommendation can only be attributed to the respondents in their capacity of professional dancers, that is, a recommendation made in the course of their professional activities, and means that as professional dancers they have associated themselves with the appellant in promoting sales of the record, and that amounts to a connection, in respect of the marketing of the record, between the business of the respondents and the business of the appellant.

The point is not without authority. In *British Medical Association v Marsh* (1931) 48 RPC 565 at 574, Maugham J, referring to the professional cases on passing off, said that they did not establish the proposition that if a tradesman puts forward a remedy as having been prescribed by, or sold for the benefit, or with the approval of a medical man, the latter would have no remedy. ‘What it is necessary in such a case to prove is, either positive injury, or in a *quia timet* action, a reasonable probability of injury, and if that is done, I, for my part, see no reason why such an action should not succeed’.

In our opinion the evidence established a passing off by the appellant and, subject to proof of injury, as to which we will have something to say later, the respondents were entitled to relief by way of injunction.

It has been contended, however, that the court has no jurisdiction to grant an injunction unless there is what has been called a common field of activity and in the case, it is said, there is none. The argument is based on a statement by
I am satisfied that there is discoverable in all those cases in which the court has intervened this factor, namely, that there was a common field of activity in which, however remotely, both the plaintiff and the defendant were engaged and that it was the presence of that factor that accounted for the jurisdiction of the court.

This principle was accepted by Sugerman J, who found a common field of activity in the capacity of the respondents to place their approval upon a record of ballroom dance music, which, he said, might be regarded as appurtenant or potentially appurtenant to the profession or business of ballroom dancing.

We have some difficulty in accepting the proposition stated in McCulloch’s case. If deception and damages are proved, it is not easy to see the justification for introducing another factor as a condition of the court’s power to intervene.

The physician whose name is attached by the maker to a quack remedy has no business in publicly recommending any remedy at all. It would be improper on his part if he had. The British Medical Association in British Medical Association v Marsh (1931) 48 RPC 565 had no business in approving proprietary medicines and it was contrary to the principles of the association to do so. It seems to us to be quite unreal to say that there is a common field of activity in such cases because, whether self-imposed or not, there is an actual restraint on the injured person entering the common field at all. In our opinion, the representation in such cases that the plaintiff recommended or approved the product is, having regard to the nature of his business, equivalent to a representation that he did so in the course of it. It associates both businesses with the sale of the product, the manufacturer in making and selling it and the plaintiff in assisting in its sale by making it attractive by his professional recommendation.

In McCulloch’s case, the plaintiff had been widely and favourably known as a broadcaster for many years in the ‘Children’s Hour’ programme of the British Broadcasting Corporation. He used the name ‘Uncle Mac’ and was well known by that name. He had written books for children, delivered lectures to them and given away prizes at prizegivings and was clearly a popular and well-known figure. The defendant placed on the market a cereal which it called ‘Uncle Mac’s Puffed Wheat’. It was packed in cartons containing a number of references to ‘Uncle Mac’, associating him with children. One was in these words, ‘Uncle Mac loves children – and children love Uncle Mac’. There was evidence that some witnesses believed that the plaintiff had put his name to a poor or low venture and a well-known broadcaster thought that the plaintiff had been forced to lend his name to the venture through financial difficulties.

An injunction was refused because, there being no ‘common field of activity’, there was no passing off. ‘Upon the postulate that the plaintiff is not engaged in any degree in producing or marketing puffed wheat, how can the defendant, in using the fancy name used by the plaintiff, be said to be passing off the goods or the business of the plaintiff? I am utterly unable to see any element of passing off in this case’, per Wynn-Parry J, p 69.
We find it impossible to accept this view without some qualification. The remedy in passing off is necessarily only available where the parties are engaged in business, using that expression in its widest sense to include professions and callings. If they do there does not seem to be any reason why it should also be necessary that there be an area, actual or potential, in which their activities conflict. If it were so, then, object only to the law of defamation, any businessman might falsely represent that his goods were produced by another provided that other was not engaged, or not reasonably likely to be engaged, in producing similar goods. This does not seem to be a sound general principle.

The present case provides an illustration of the unjust consequences of such a principle. For the purposes of this part of its argument, the appellant concedes that it is falsely representing that the respondents recommend, favour or support its dance music record, but it claims that because the respondents are not engaged or likely to be engaged in making or selling gramophone records, it is entitled to appropriate their names and reputations for its own commercial advantage and that the court has no power to prevent it doing so. It would be a grave defect in the law if this were so.

In our view, once it is proved that A is falsely representing his goods as the goods of B or his business to be the same as or connected with the business of B the wrong of passing off has been established and B is entitled to relief.

While McCulloch’s case is open to strong criticism, in actual fact the respondents here are in a real sense competing in the special area of providing gramophone records specially adapted to dancing and dancing teaching. Their activities are competitive in a broad sense. If so, McCulloch’s case provides no obstacle to the plaintiff’s success in the suit.

We now turn to the question of damage and, in view of certain submissions by counsel for the respondents, desire to make a few general remarks on the subject.

Passing off is a wrong and is actionable at law. In such an action damage is presumed on proof of passing off and therefore a nominal sum by way of damages follows as a matter of course. General damages may, however, only be awarded if there is evidence of damage. Instead of proceeding at law a plaintiff may sue in equity for an injunction, as may be done in respect of other wrongful acts of a different nature. If he sees in equity, he takes advantage of the equitable principle that the court will interfere by injunction to restrain irreparable injury to property, per Romer LJ in Samuelson v Producers Distributing Company Limited [1932] 1 Ch 201 and therefore he must go further than he need at law. He must show irreparable injury, that is that he has suffered injury which cannot be properly compensated by damages, or that he will probably suffer such injury.

If a plaintiff in equity succeeds in having the defendant enjoined, he may also have an account of profits or an enquiry as to damages. Formerly, he could only have had an account, because that was equity’s only remedy, but since Lord Cairns’s Act, he may have damages. If he elects to take an enquiry as to damages, he takes a common law remedy and his damages will be ascertained in the same way as they would have been ascertained at law.
In a judgment to the same effect Manning J said:

Today we find leading amateur sportsmen lending their names for reward to recommendations for a variety of goods and articles, and not merely those which, in the course of their amateur sporting activities, they come to know and appreciate. Indeed, from what I have myself read and observed I believe it to be the fact that at least one prominent amateur sportsman has formed a proprietary company for the exploitation of his name and reputation so that he may sell his recommendations in the advertising market and yet, so I assume, attract a minimum of taxes. In making this comment I do not wish it to be thought that I desire for one moment to criticise amateur sportsmen who have indulged in this activity. The new and altered standards must be accepted by the courts once it is apparent that they have been accepted by the community. The point which seems to emerge with clarity is that one’s conception of the status of an amateur sportsman 30 years ago is quite different to what is accepted today. The development in the advertising of products to which I have referred has opened up a new field of gainful employment for many persons who, by reason not only of their sporting, but of their social, artistic or other activities, which have attracted notoriety, have found themselves in a position to earn substantial sums of money by lending their recommendation or sponsorship to an almost infinite variety of commodities.

To meet changes in the manner of conducting commercial enterprises, I would prefer in considering cases of this kind to propound as the test the one to which I have referred above, namely, whether the plaintiff has suffered a financial detriment and such detriment flows from or arises as a result of the defendant’s act, rather than to ask whether the defendant’s act caused financial loss to the plaintiff.

The plaintiffs in this case had acquired a reputation which doubtless placed them in a position to earn a fee for any recommendation which they might be disposed to give to aid the sale of recorded dance music of the type in question. I have referred to those engaged in sporting activities because of the facts in Tolley’s case [1931] AC 333, but the position of the plaintiffs is better compared with that of a well-known actress or model. I can see no distinction in any such cases provided, as has been established in this case, that the activity of the party concerned has resulted in their recommendation becoming a saleable commodity.

The result of the defendant’s action was to give the defendant the benefit of the plaintiffs’ recommendation and the value of such recommendation and to deprive the plaintiffs of the fee or remuneration they would have earned if they had been asked for their authority to do what was done. The publication of the cover amounted to a misrepresentation of the type which will give rise to the tort of passing off, as there was implied in the acts of the defendant an assertion that the plaintiffs had ‘sponsored’ the record.

No evidence was given as to what fee or remuneration would have been payable in circumstances such as these and the major part of the argument was directed rather to the submission that damage would flow because the plaintiffs would be less likely to secure some reward for ‘sponsoring’ some other record or records. In my view damage of the latter type is too remote.
Geographical names may acquire secondary meanings. In *Whitstable Oyster Fishery Co v Hayling Fisheries Limited* (1901) 18 RPC 434, the defendant was permitted to describe oysters which reached maturity at Whitstable as *Whitstable Oysters*; *Wotherspoon v Currie* [1872] LR 4, where the plaintiff had made his Glenfield Starch at Glenfield but moved his factory, he could still prevent the defendant calling his starch which he made in Glenfield by the same name.

**DAMAGE**

The plaintiff must have suffered or be likely to suffer damage or injury to his business or goodwill: inconvenience or annoyance is not enough.

Once evidence is established of deception or likely deception, injury to reputation or goodwill is readily presumed: in the *Elderflower Champagne* case, *Taittinger v Allber* [1992] FSR 641, at first instance the court held that the damages were insufficient to support the action. In classical passing off cases, custom is diverted and injury naturally follows. Here, though, the Court of Appeal found new subject-matter for the law of passing off to protect.

**Peter Gibson LJ:** Elderflower Champagne is the name given by the defendants to a beverage which they first marketed in October 1991 and is now widely available from health food shops as well as from retail outlets from which both alcoholic and non-alcoholic drinks are sold, for example Sainsbury. The first defendant, Albev Ltd, a producer and wholesaler of mainly non-alcoholic drinks but also of some wines, produces Elderflower Champagne and the second defendant, a partnership between Dr Guy Woodall and his wife Mrs Sheila Woodall trading as Thorncroft Vineyard, advertises, markets, distributes and sells it wholesale. It is sold in two sizes of bottle, of 75 cl and 25 cl. Most of its sales are of the larger size bottle, the attractive get-up of which makes it look like a Champagne bottle. But it is not a produce of the Champagne district of France: it is not made from the grape and it is non-alcoholic. It is a drink made from elderflowers, sugar, citric acid and lemons to which carbonated water is added.

The use by the defendants of the word ‘Champagne’ came to the attention of the Champagne producers of France. In the last three decades no group had been more vigorous than the *champenois* in asserting their rights. No less than 64 instances were given in evidence of steps taken in England since 1960 to ensure that the name of Champagne is only used commercially to refer to wine from the Champagne district of France. In February 1992 proceedings were commenced, initially only by the first plaintiff, Taittinger, against Allber Ltd. Taittinger, one of the great Champagne houses, sues in a representative capacity for all who produce wine in Champagne and ship such wines to England and Wales. Subsequently the second and third plaintiffs were joined as plaintiffs and the partnership of Dr and Mrs Woodall as a defendant. The second plaintiff is Comité Interprofessionnel du Vin de Champagne, a body
established with legal personality under French law and having amongst its objects the defence of interests of persons involved in the production of wines sold under the Appellation d’Origine Champagne. The third plaintiff is Institut National des Appellations d’Origine, an organ of the French government and having legal personality under French law. Its objects include the regulation of the production of wines entitled to the French Appellations d’Origine and the protection of users of those wines.

The plaintiffs sued both in passing off and in assertion of a right under Council Regulation 823/87 (as amended), laying down special provisions relating to quality wines produced in specified regions of the European Community. They sought permanent injunctions and also applied for an interlocutory injunction restraining the defendants from using the word ‘Champagne’ in relation to ‘Elderflower Champagne’. Mr Robert Reid, QC, sitting as a deputy judge of the Chancery Division, on 15 April 1992 would have granted an injunction against passing off until trial but for an undertaking to the like effect being offered to the court and accepted. The drink continued to be sold but without the word Champagne as part of its name on the label.

The trial of the action took place in January 1993 before Sir Mervyn Davies, sitting as a judge of the High Court. In a reserved judgment on 8 February 1993 he accepted the concession of the defendants that a valuable goodwill belonging to Taittinger and the Champagne houses it represents had been built up in the name ‘Champagne’ and he held that there had been a misrepresentation by the defendants in their labelling of the bottles of Elderflower Champagne which was calculated to deceive. But he found that the plaintiffs failed to establish a likelihood of substantial damage and so he held that the claim in passing off failed. He also declined to exercise his discretion to afford any relief under Community law. Accordingly he dismissed the action and ordered an enquiry as to damages on the plaintiffs’ cross-undertaking in damages which they had been required to give when the defendants gave their undertaking to the court.

The plaintiffs now appeal. They say that they are entitled to permanent injunctions against the defendants both in passing off and in reliance of their cross-appeal, claiming that right under Regulation 823/87. The defendants cross-appeal, claiming that there was no or no material misrepresentation by them and that in so far as the judge had held that they were in breach of the regulation he was wrong in law; they also claim that an injunction would infringe the principle of proportionality.

The facts
The word ‘Champagne’ is distinctive of a sparkling alcoholic wine produced in, and only in, Champagne. It is usually sold in a green 75 cl bottle with a dimpled bottom and a mushroom-shaped cork held down with wire, the cork and neck being covered in foil. The style of the label will vary from make to make but the label often shows the name of the Champagne in a cursive script with the name ‘Champagne’ in block letters underneath. Champagne is a quality drink, associated in the minds of the public with celebratory occasions, and it retails in the UK from about £7.50 upwards.
Elderflower Champagne retails at about £2.45 a 75 cl bottle. It is marketed, in that form, in a bottle of approximately the size, colour and shape usually associated with Champagne, although the glass appears to be thinner and the defendants say that the bottle is purchased from a cider bottle manufacturer. It is corked with a mushroom-shaped cork, but unlike a Champagne cork which has to be of a shape that requires compression to insert into the neck of the Champagne bottle, the Elderflower Champagne cork is reusable. The cork is also wired, though unlike that for a Champagne cork, the wire appears unnecessary for a bottle containing not fermented but carbonated liquid. At the time of the trial, save for bottles sold to Sainsbury, there was no foil over the wired cork and neck. For bottles sold to Sainsbury, at Sainsbury’s request, foil covered the wired cork and neck, and the foil used by the defendants bore the emblem of a bunch of grapes on two sides of the neck and on the top but at a time when the word ‘Champagne’ was deleted from the label. Since then foil without that emblem has been used on bottles sold to Sainsbury. There is a front label headed ‘Thorncroft’ on a gold background. Below that there are various words printed on a white background. At the top there is the word ‘Traditional’ in small print. Underneath there is the prominent word ‘Elderflower’ in a large cursive script and beneath that in smaller but distinct block letters is the word ‘Champagne.’ The word ‘Champagne’ was deleted after Mr Reid’s ruling in April 1992 but after the trial ‘Champagne’ has reappeared on the label but in a cursive script like ‘Elderflower.’ Below that the words ‘The Natural Non-Alcoholic Sparkling Refreshment’ are printed in yet smaller print. Representations of small white flowers are shown on a green background surrounding the white central area of the label. The back label reads:

Elderflower Champagne is a delightfully refreshing traditional drink with a provenance dating back to the middle ages. The distinctive flavour of fresh elderflowers, reminiscent of lychees and muscat grapes, imparts to it a length and body more commonly found in wine than soft drinks. Elderflowers also have a reputation for warding off colds and flus, and for cooling and cleansing the system. Serve chilled and refrigerate after opening.

The ingredients (which I have already stated) are given and at the bottom of the label is ‘Thorncroft Vineyard’ with its address. We have been told that the word ‘Vineyard’ no longer appears on the bottle label. The 25 cl bottle has the same labels but a screw cap.

The suggestion that the defendants’ ‘Elderflower Champagne’ is a traditional drink with a provenance dating back to the middle ages seems to me on the evidence to be it creative interpretation of what was known to Dr Woodall. Whilst there is a 17th century literary reference to an infusion of elderflowers in small ale, the earliest publication containing a recipe for homemade ‘elderflower Champagne’ that was produced in evidence was dated 1949; further the fizzy drink to which the published recipes refer depended on fermentation for its fizz, was mildly alcoholic and used white wine vinegar and no carbonated water. However the judge expressed himself satisfied that the defendants’ product might be regarded as a modern type of ‘elderflower Champagne’ produced commercially. Certainly there is no evidence of any
commercial sales of ‘elderflower Champagne’ until the defendants’ product was marketed.

Dr Woodall is the moving spirit among the defendants. He formed Albev Ltd to produce the elderflower cordial that he decided to produce first on a commercial scale. When that venture prospered, other ‘hedgerow’ products were made and in 1989 he decided to expand the range of elderflower drinks to Elderflower Champagne. His evidence was that he knew of a drink called ‘elderflower Champagne’ from his grandmother and from recipe books and he was most keen to retain the traditional name, but he positively did not want people to believe that the product was alcoholic.

Winter months are not the best months for sales of a refreshing drink like Elderflower Champagne but nevertheless over 20,000 75 cl and over 12,000 25 cl bottles were sold from November 1991 to January 1992. In May, June and July 1992, although the word ‘Champagne’ was deleted from the label in accordance with the undertaking to the court, sales averaged over 12,000 75 cl bottles a month. Sales then fell away, but rose sharply to nearly 24,000 75 cl bottles in February 1993, the month when the judge gave his judgment.

The judge heard evidence from a number of witnesses called on behalf of the plaintiffs, who were experienced in the wine trade. They included Mr A W Gunn, the managing director of the English distributorship of the Champagne house, Pol Roger. In his witness statement he referred to what Danckwerts J said in Bollinger v Costa Brava Wine Co Ltd [1961] 1 WLR 277 at 282:

[Champagne] is and has for a long time been known to the trade and public in the UK as ‘Champagne’ and as such has acquired a high reputation ... in particular ... Champagne is a wine specifically associated with occasions of celebration so that (in addition to sales to persons who regularly buy wine) it is purchased on such occasions from time to time by many persons who are not in the habit of buying wine for consumption and are not educated in the nature or qualities of different kinds of wine.

Mr Gunn agreed with that and said:

I can say that the finding is as true today as it was when it was made, especially the last remarks concerning the public’s knowledge of wines. If anything the last remark may be even truer today than then, as in the last 10 or 15 years, sales of wine have increased enormously; and while it is true that more people know more about wine now than in 1960, an even greater number who are ‘not educated in the nature or qualities of different kinds of wines’ have started buying wines. I believe this enormous widening to have resulted from the market changes in the wine trade retail structure, now dominated by the major supermarkets. Wine has become widely available as an everyday commodity on supermarket shelves, to be picked up by the consumer.

He also pointed out that there were many non-alcoholic wines now gaining a presence in the markets including many non-alcoholic or low alcohol sparkling drinks. Mr M D Campbell, the director of buying for Thresher, the largest drinks retailing chain in the country, and Mr J H Brind, the central buyer of wines at Waitrose, the supermarkets division of the John Lewis Partnership, gave similar evidence.
These and several other witnesses gave evidence of the likelihood, though not of the actuality, of confusion between the defendants’ Elderflower Champagne and Champagne or of a mistaken belief that the defendants’ product had something to do with Champagne. Mr Isaacs QC for the defendants objected to that evidence, and the judge referred to certain authorities to the effect that questions as to confusion or being deceived are for the court and that opinions on those questions are inadmissible in evidence. But he also referred to the remarks of Kerr LJ in *Sodastream Ltd v Thorn Cascade Ltd* [1982] RPC 459 at 468 to the effect that trade witnesses can give as admissible evidence, their opinions on the likely reactions of others in relation to matters which are within the sphere of their work, and to the similar remarks of Sir Nicolas Browne-Wilkinson VC in *Guccio Gucci SpA v Paolo Gucci* [1991] FSR 89 at 91. The judge did not rule on this question, because he, independently of that opinion evidence, reached the same conclusion as the witnesses. We too have not heard argument on this question as it has not been necessary to take into account that evidence for the purpose of this appeal, but I cannot forbear to comment that the good sense of what Kerr LJ and the Vice Chancellor said seems to me to be obvious.

Passing off

The authoritative modern formulation of what constitutes the tort of passing off is contained in *Erven Warninck BV v Townend & Sons (Hull) Ltd* (‘the Advocaat case’). In that case Lord Diplock pointed out that the tort had been extended beyond the classic form of it whereby the tortfeasor misrepresented his goods as the goods of someone else. He referred to the seminal speech of Lord Parker in *A G Spalding & Bros v A W Gamage Ltd* where the right the invasion of which is the subject of passing off actions was identified as the ‘property in the business or goodwill likely to be injured by the misrepresentation’. Lord Diplock also referred to the classic statement by Lord Macnaghten of the concept of goodwill: ‘it is the benefit and advantage of the good name, reputation and connection of a business. It is the attractive force which brings in custom’; *C I R v Muller & Co’s Margarine Ltd*. This recognition that what the law protects by a passing off action is a trader’s property in his business or goodwill, enabled the court in the *Spalding* case to give protection to a plaintiff trader whose goodwill was injured by another trader selling goods which he correctly represented to be his own but misrepresented to be goods of a quality superior to that of the plaintiff’s goods. Lord Diplock identified five characteristics which must be present in order to create a valid cause of action for passing off:

1. a misrepresentation, (2) made by a trader in the course of trade, (3) to prospective customers of his or ultimate consumers of goods or services supplied by him, (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence) and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a *quia timet* action) will probably do so.

Lord Diplock pointed out that even if all five characteristics are present, it does not follow that the court is bound to conclude that there has been an actionable
wrong; but he held that all those characteristics were present in the *Advocaat* case and that as there was no exceptional feature which justified on grounds of public policy withholding a remedy, an injunction would lie.

Lord Fraser at pp 755–56 similarly described five essential facts which have to be shown in a passing off action. I only need mention the fifth as this was referred to by the judge and much relied on by Mr Isaacs:

that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendant’s selling goods which are falsely described by the trade name to which the goodwill is attached.

The adjective ‘substantial’ was not used by Lord Diplock to qualify his reference to damage, nor, I note, is it used by Lord Oliver in his recent reduction to three elements (essentially goodwill, misrepresentation, damage) of what has to be proved in order to succeed in a passing off action: *Reckitt & Colman Properties Ltd v Borden Inc*. I take Lord Fraser to be saying that there must be more than trivial or minimal damage, and I observe that this appears to have been the view too of Slade LJ in *Stringfellow v McCain Foods (GB) Ltd* [1984] RPC 501 at 546.

Lord Diplock in the *Advocaat* case specifically approved the extension to the law of passing off made by Danckwerts J in *J Bollinger v Costa Brava Wine Co Ltd* [1960] Ch 262. That case first recognised that there could be goodwill attaching to the name ‘Champagne’ which was shared by a large number of traders using that name as distinctive of their wines and which could be protected in a passing off action against traders who had no goodwill in that way but sought to make use of the reputation and goodwill of Champagne. At the trial, Danckwerts J in *Bollinger v Costa Brava Wine Co Ltd (No 2)* [1961] 1 WLR 277 held, on evidence to which the judge in the present case likened the evidence put before him, that Champagne was distinctive of the wine produced in Champagne, that a substantial portion of the public, being ‘persons whose life or education has not taught them much about the nature, and production of wine, but who from time to time want to purchase Champagne, as the wine with the great reputation’, was likely to be misled by the misrepresentation constituted by the description by the defendant in that case of its wine as ‘Spanish Champagne’ and that it was a deliberate case of passing off which should be restrained by an injunction.

The judge’s approach, which was entirely correct, was to follow the guidance given in the *Advocaat* case. He went through Lord Diplock’s five essential characteristics, considering whether on the facts they had been established.

First he considered whether the defendants were guilty of misrepresentation, a question which he rightly characterised as one of the most important in the present case. He was of the clear view that the labelling of the defendants’ product constituted a misrepresentation in that the front label of their bottle indicates that it contains a Champagne that is being sold under the name Elderflower. He pointed out, in my view correctly, that no great importance is to be attached to the back label; that is not likely to attract the close attention of many purchasers. Mr Isaacs challenged the conclusion of the judge on misrepresentation, pointing to features of the labelling, get-up and retail selling, such as the price of the Elderflower Champagne, which he said should
have led the judge to conclude that there was no misrepresentation. I cannot agree. It appears to my eye plain that there was a misrepresentation that the defendants’ product was Champagne or in some way associated with it. It was called Champagne and the impression the name conveyed is strongly reinforced by the get-up with so many features of a typical Champagne bottle present. Some who notice that it is non-alcoholic might well think that a non-alcoholic Champagne has been produced by the Champagne producers in the same way that non-alcoholic wine and beer have been produced. But I would go further on misrepresentation than the judge did. To my mind it is of cardinal importance in this case that, as the defendants accept, Champagne is distinctive exclusively of a sparkling wine produced in Champagne. It is to be noted that the present case differs from several other Champagne cases cited to us in which much of the evidence had been directed to whether Champagne had become a generic term as other wines had done, no longer distinctive of wine produced in a particular area. Mr Isaacs disclaimed any intention to argue that Champagne was a generic term. But once it is accepted that Champagne is so distinctive, I do not see how it is possible to market a product as Elderflower Champagne which was made in Surrey, without making a representation that is a falsehood. Mr Isaacs also challenged the finding of misrepresentation on the ground that there was no material misrepresentation. But that argument went to the question of confusion to which I will shortly come.

The judge then moved to the second and third characteristics, which, so far as relevant, are that the misrepresentation was made by a trader in the course of trade to ultimate consumers of goods supplied by him. He said that they were present and that is not challenged.

He next turned to the fourth characteristic, whether the misrepresentation was calculated to injure the business or goodwill of the Champagne houses in the sense that this was a reasonably foreseeable consequence. He considered first whether the misrepresentation was calculated to injure and second whether or not any intent bore on the question. He referred to the opinion evidence of the plaintiffs’ witnesses, of which I have already made mention and said:

it is evidence which of course goes to show that the defendants’ misrepresentation is calculated to deceive, that is to say is likely to lead the public, or a part of the public, into buying the defendants’ merchandise in the belief that it is Champagne. But if the evidence is put aside, so that I am obliged to use my own judgment in the matter, I come to the same conclusion as the witnesses.

He then explained that whereas the average member of the public seeing a bottle of Elderflower Champagne at a price of £2.45 would examine the bottle and by inspecting the label have any misrepresentation dispelled, there was another relevant section of the public. He continued:

There is the simple unworldly man who has in mind a family celebration and knows that Champagne is a drink for celebrations. He may know nothing of elderflower Champagne as an old cottage drink. Seeing ‘Elderflower’ on the label with below the title ‘Champagne’ he may well suppose that he is buying Champagne, since the simple man I have in
mind will know little of Champagne prices, he is likely to suppose that he has found Champagne at a price of £2.45. I do not mean that I now refer to any majority part of the public or even to any substantial section of the public, but to my mind there must be many members of the public who would suppose that the defendants’ ‘Elderflower’ is Champagne. Thus it is that I find it established that the defendants’ misrepresentation is a misrepresentation that is calculated to deceive.

This, therefore, is a finding of fact by the judge that many members of the public who are prospective purchasers of Champagne would be deceived into thinking that the defendants’ product was Champagne. In my judgment there was evidence before the judge from which he could properly reach that conclusion, and I refer in particular to the evidence of Mr Gunn, Mr Campbell and Mr Brind on the growth in the wine-buying public not educated in the nature and qualities of different kinds of wine. The judge only referred to those who thought Elderflower Champagne was Champagne. It seems to me at least as likely that a not insignificant number of members of the public would think that it had some association with Champagne, if it was not actually Champagne. In this context it is worth recalling that Danckwerts J in Bollinger v Costa Brava Wine Co Ltd (No 2) [1960] 1 WLR 277 at 282 recognised that a large number of people would not have been deceived by the description Spanish Champagne and said:

Moreover, when the case is tried in an atmosphere of educated persons, many of whom are well acquainted with the qualities of various wines, it may seem absurd that persons should be deceived by what may appear to be a transparent impersonation.

Nevertheless, he held that a substantial portion of the public would be misled. It is right not to base any test on whether a moron in a hurry would be confused, but it is proper to take into account the ignorant and unwary: Singer Manufacturing Co v Loog, per Lord Selborne (1882) 8 App Cas 15 at 18.

Lord Diplock’s phrase ‘calculated to injure,’ as he himself made plain, does not import a test of actual intention to injure: it is sufficient that this should be the reasonably foreseeable consequence of the misrepresentation. The judge held that the defendants did not intend to deceive or to ride on the back of the goodwill possessed by the Champagne houses and did not find that Dr Woodall adopted the Elderflower Champagne get-up with the intention of causing the public to believe that what he was selling was Champagne. There is no appeal by the plaintiffs on this, but as Mr Sparrow QC for the plaintiffs rightly stressed, the absence of subjective intention does not prevent the court from concluding that objectively it was a reasonably foreseeable consequence of the misrepresentation that injury to the plaintiffs would result. The judge himself said that his finding on subjective intention was of no service to the defendants as respects the first four characteristics identified by Lord Diplock because intent was not a necessary ingredient of the tort of passing off.

One might have expected the judge to turn at that point to the fifth characteristic identified by Lord Diplock, having apparently dealt with the first four. But surprisingly he then said: ‘Since I find that there has been a material misrepresentation, I move on to items (4) and (5) as mentioned by Lord
Diplock’, and he went on to consider whether it was a reasonably foreseeable consequence of such misrepresentation that it would cause actual damage to the Champagne houses’ business or goodwill. I feel bound to say that this is inconsistent with his earlier treatment of the fourth characteristic, as is the way he then treats his earlier finding that many members of the public out to purchase Champagne would be deceived into thinking that Elderflower Champagne was Champagne. He thereafter refers to those members of the public as ‘a small section of the public’ which then becomes ‘the very small section of the public that I have referred to above’. In fact what the judge addresses is not the fourth and fifth but only the fifth characteristic.

But before I turn to that, I should express my conclusion on the fourth characteristic. In my opinion there was ample evidence that, objectively assessed, it was a reasonably foreseeable consequence of the misrepresentation that injury to the Champagne houses’ goodwill would result. It was accepted that they had a valuable goodwill in the exclusively distinctive name Champagne, yet Dr Woodall was using the name Champagne to describe his drink (as was expressly stated in a press release put out by the defendants and as is manifest). Dr Woodall himself accepted in cross-examination that obviously there was a likelihood of confusion in the use by the defendants of the word Champagne, and he clearly wanted to use the name Champagne to promote sales of their product.

Part of his cross-examination went as follows:

(Q) So, you want to add the word ‘Champagne’ to this label because you think it will help you sell more bottles?

(A) (Pause) ...

SIR MERVYN DAVIES: Well, come along – you do want to use the word ‘Champagne’, do you not?

(A) Yes, my Lord.

(Q) That is why you are fighting the action, presumably.

(A) Well, I want to use the word Elderflower Champagne and it’s as simple as that.

Mr SPARROW: But you have got Elderflower here.

(A) Yes.

(Q) You want to use the word Champagne, do you not?

(A) I would prefer to replace Sparkling Elderflower which I’ve already indicated is an unsatisfactory description and has been questioned by the trading standards officials with the proper name for the product which I consider to be Elderflower Champagne.

(Q) Because you think that will help you to sell more bottles.

(A) Well, I don’t try to do things in business in order to diminish my sales.

(Q) That is a rather ungracious affirmative response, but an affirmative response nonetheless, is it not?

(A) Yes.
To all this can be added the judge's own finding that many members of the public would be deceived, quite apart from my own view that there would be members of the public who would think that the defendants' product is in some way connected with Champagne. In my judgment the misrepresentation was plainly calculated to injure the plaintiffs' goodwill.

In relation to the fifth characteristic, that the misrepresentation should have caused or would probably cause actual damage to the Champagne houses' goodwill, the judge held that the plaintiffs did not establish a likelihood of substantial damage. He reached this conclusion in this way. He posed the question whether it was really likely that the goodwill in the name 'Champagne' would be substantially affected if the defendants continued to sell Elderflower Champagne and answered that in the negative, the effect on the plaintiffs' reputation being in his view nil or minimal. He gave his reason as being that those who bought Elderflower Champagne in the belief that it was Champagne made up a very small section of the public and he coupled that conclusion with the fact that the defendants' activities were on a small scale as compared with those represented by the plaintiffs. He further pointed to the absence of indication of any likely large-scale enlargement of the defendants' operation.

I have already adverted to the inconsistency between his finding that many members of the public would be deceived when buying Elderflower Champagne and the description of them as constituting a very small section of the public. The deception of many members of the public cannot be de minimis.

To this I would add the confusion of those who would think that the defendants' product had some association with Champagne if it was not actually Champagne. Further it cannot be right that the larger the scale of the activities of a trader suing in passing off, the less protection it will receive from the court because of a comparison with the scale of the activities of a defendant who trades on a smaller scale. The question is whether the relevant activities of the defendants are on such a small scale leading to such a small injury that it can be ignored. On the evidence of the defendants' sales, I find it impossible to say that that is the case here.

But in my judgment the real injury to the Champagne houses' goodwill comes under a different head and although the judge refers to Mr Sparrow putting the point in argument, he does not deal with it specifically or give a reason for its undoubted rejection by him. Mr Sparrow had argued that if the defendants continued to market their product, there would take place a blurring or erosion of the uniqueness that now attends the word 'Champagne', so that the exclusive reputation of the Champagne houses would be debased. He put this even more forcefully before us. He submitted that if the defendants are allowed to continue to call their product Elderflower Champagne, the effect would be to demolish the distinctiveness of the word Champagne, and that would inevitably damage the goodwill of the Champagne houses.

In the Advocat case at first instance, [1980] RPC 31 at 52, Goulding J held that one type of damage was 'a more gradual damage to the plaintiffs' business through depreciation of the reputation that their goods enjoy'. He continued:
Damage of [this] type can rarely be susceptible of positive proof. In my judgment, it is likely to occur if the word ‘Advocaat’ is permitted to be used of alcoholic egg drinks generally or of the defendants’ product in particular.

In the House of Lords in that case Lord Diplock referred to that type of damage to goodwill as relevant damage, which he described as caused ‘indirectly in the debasement of the reputation attaching to the name advocaat’ [1979] AC 731 at 740.

In *Vine Products Ltd v MacKenzie & Co Ltd* [1969] RPC 1 at 23 Cross J, commenting with approval on the decision of Danckwerts J in *Bollinger v Costa Brava Wine Co Ltd (No 2)* said:

[Danckwerts J] thought, as I read in his judgment, that if people were allowed to call sparkling wine not produced in Champagne ‘Champagne’, even though preceded by an adjective denoting the country of origin, the distinction between genuine Champagne and ‘Champagne type’ wines produced elsewhere would become blurred; that the word would come gradually to mean nothing more than ‘sparkling wine’; and that the part of the plaintiffs’ goodwill which consisted of the name would be diluted and gradually destroyed.

That passage was referred to approvingly by Gault J in *Wineworths Ltd v CiVC* [1992] 2 NZLR 327 at 341. In that case the sale of Australian sparkling wine under the name Champagne was held to constitute passing off. The New Zealand Court of Appeal upheld the decision of Jeffries J who had held in *CiVC v Wineworths* [1991] 2 NZLR 432 at 450: ‘By using the word Champagne on the label the defendant is deceptively encroaching on the reputation and goodwill of the plaintiffs’. Jeffries J had no doubt that if relief was not granted the plaintiffs would most certainly suffer damage if the word was used on all or any sparkling wine sold in New Zealand. He thought the ordinary purchaser in New Zealand without special knowledge on wines was likely to be misled. Gault J, after agreeing with Jeffries J on deception, said (at p 343):

I find the issue of damage or likely damage to the goodwill with which the name ‘Champagne’ is associated equally obvious in light of the finding that there is in fact an established goodwill in New Zealand. I have no doubt that erosion of the distinctiveness of a name or mark is a form of damage to the goodwill of the business with which the name is connected.

By parity of reasoning it seems to me no less obvious that erosion of the distinctiveness of the name Champagne in this country is a form of damage to the goodwill of the business of the Champagne houses. There are undoubtedly factual points of distinction between the New Zealand case and the present case, as Mr Isaacs has pointed out, and he placed particular reliance on the fact that in the New Zealand case as well as in *Bollinger v Costa Brava Wine Co Ltd (No 2)*, the court held that there was a deliberate attempt to take advantage of the name Champagne, whereas in the present case the judge found no such specific intention. In general it is no doubt easier to infer damage when a fraudulent intention is established. But that fact does not appear to have
played any part in the reasoning on this particular point either of Jeffries J or of Sir Robin Cooke P, who thought [1992] 2 NZLR 327 at 332 the case exemplified the principle that a tendency to impair distinctiveness might lead to an inference of damage to goodwill, or of Gault J; nor in logic can I see why it should. It seems to me inevitable that if the defendants, with their not insignificant trade as a supplier of drinks to Sainsbury and other retail outlets, are permitted to use the name Elderflower Champagne, the goodwill in the distinctive name Champagne will be eroded with serious adverse consequences for the Champagne houses.

In my judgment therefore the fifth characteristic identified in the Advocaat case is established. I can see no exceptional feature to this case which would justify on grounds of public policy withholding from the Champagne houses the ordinary remedy of an injunction to restrain passing off. I would therefore grant an injunction to restrain the defendant from selling, offering for sale, distributing and describing, whether in advertisements or on labels or in any other way, any beverages, not being wine produced in Champagne, under or by reference to the word Champagne. That injunction, I would, emphasise, does not prevent the sale of the defendants’ product, provided it is not called Champagne.

The type of business with which the plaintiff’s is confused may be material. In Stringfellow v McCain Foods (GB) Limited [1984] RPC 450 the Court of Appeal held that no damage to the nightclub – falling attendances and so forth – resulted from sales of oven chips under the name Stringfellows. Slade LJ said:

The only tenuous overlap between the respective fields of activities of the plaintiff and of McCain is that McCain market foodstuffs while the plaintiffs sell food in the restaurant at their night club. But frozen foods and potato chips are some of the last kinds of food which would be readily associated in the minds of the public with a high-class, up-market restaurant, so that the relevant overlap is very small. The answers to RSGB’s questionnaires show that a fair proportion of the public (22% of the sample) associate the word ‘Stringfellows’ with a club, night-club or discotheque. But, as Walton J pointed out in his judgment on the motion, the word is far from being a household word as was, for example, the word ‘Lego’ which fell to be considered by Falconer J in Lego Systems A/S v Lego M Lemelstrick Limited [1983] FSR 155. The word ‘Stringfellow’, unlike Lego, is an ordinary surname which, at least in certain parts of the country, is not uncommon. McCain, on the other hand, have a national reputation as purveyors of frozen foods, with their products bought and consumed by very large numbers of the population, as I have already indicated. A member of the public (albeit one already acquainted with the name of the club), on simply seeing a packet of frozen potato chips clearly marked with the words ‘McCain Stringfellows Long Thin Oven Ready Fries’ (not just ‘Stringfellows Long Thin Oven Ready Fries’) would, in my opinion, be most unlikely to draw the inference that there was any connection at all between the chips and Mr Peter Stringfellow or the club. If he were to draw that inference, it would in my opinion to be an unreasonable one, which was not justified by the form in which the product had been presented to him. The reasonable inference would be that this was another frozen food product put
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on the market by McCain, to which they had chosen to attach the name Stringfellows because the chips in question were ‘long and thin’.

The advertisement was, however, found unwittingly to involve a degree of misrepresentation. Even so, following Lord Diplock’s speech in the *Advocaat* case, it was necessary to establish damage or a likelihood of damage ensuing to the plaintiffs. After rejecting the one piece of evidence proffered to show actual refusal to deal with the plaintiff because of his supposed connection with the chips, the court considered whether there was sufficient likelihood of damage. It rejected as ‘little more than speculation based on no solid evidence’ the trial judge’s view that there would be a likely loss of bookings at the club. Slade J proceeded:

I now turn to the remaining suggested head of likely damage. Mr Jones, Mr Patrick and Mr Townley, in what in the course of the proceedings have been referred to as ‘expert reports’, gave evidence in regard to modern practices in relation to intellectual property licences. Mr Jones, for example, described in a little detail how licensing of such right can take the form of *(inter alia)* ‘franchising’, ‘merchandising’, ‘sponsorship’ and ‘endorsement’. All these three witnesses expressed the opinion, albeit in rather different words, that any association of the club with an oven-baked chip product would be likely to damage the image of the club and to prejudice the plaintiffs’ chances of valuable exploitation of the goodwill attached to the name ‘Stringfellows’.

The status of the evidence of these three witnesses is by no means clear to me, but no objection has been taken to its admissibility. The judge, having referred to this evidence, said (p 24) that it established that:

... the grant of merchandising rights of this character is now a matter of frequent occurrence, although with the exception of a possible inference that might be drawn from the registration of a trademark by a club and the example of the Playboy Club backed up of course by the *Playboy* magazine, they could point to no other cases concerned with the grant of merchandising rights by an organisation such as the plaintiffs.

He went on to say:

It does plainly emerge that this was thought to be an activity in which the plaintiffs might reasonably want to indulge and that if the impression got around that rights of this character were being granted by the plaintiffs to manufacturers of frozen chips, then it was unlikely to prove attractive to persons who might want to use the name in the luxury goods field.

Much later in his judgment, having referred to the possible loss of customers for special functions, he said:

The same reasoning may apply so far as other potential sponsors are concerned, at least other potential sponsors selling products in what might be described as the high quality trade or at least expensive products ... Experience in these courts alone has shown that in recent years there has been a vast extension in the field of franchising. The grant of rights of user by the owners of well-known names in connection with products other than the original owners’ products or business, is a commonplace of today.
Mr Jacob, while not disputing that the practice of licensing merchandising rights is a common one and has indeed existed for many years, pointed out that the plaintiffs have not achieved a registration of the name ‘Stringfellows’ under the Trade Marks Act 1938. He submitted that they could not grant a licence for the use of this name which would have any legal validity; he referred us to *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256:

For the purposes of this present appeal, I do not find it necessary to explore any of the niceties of the law relating to the grant of merchandising rights in respect of a name which has not been registered as a trademark. For such purposes I am quite prepared to assume, without deciding that in many instances a person carrying on a business under a particular name (albeit not registered as a trademark) to which a valuable goodwill is attached, may be able in practice to exploit that name to great profit in one or more of the ways suggested by Mr Jones, Mr Patrick or Mr Townley.

I do not, however, regard the evidence of these witnesses or any other witnesses in this case as having established either:

1. that, but for the television advertisement, the plaintiffs would have been able profitably to exploit merchandising rights in the name ‘Stringfellows’;

or

2. that the showing of the television advertisement has prejudiced or is really likely to prejudice such chances of profitable exploitation of this nature as they may possess.

If I am right, it is only the television advertisement which has involved any misrepresentation. As to (1), presumably in view of their fears of tarnishing their image, the plaintiffs would only wish to grant licences (if at all) in connection with goods of a luxury or up-market variety, such as clothes or jewellery. But how many, if any, persons marketing goods of this nature would expect to derive any potential benefit from the use of the name of a night club, albeit a celebrated night club? The name ‘Stringfellows’ is not a fancy name. It is a surname which, at least in some parts of the country, is not an uncommon one. Nor is it a name connected with a person, such as a sportsman who has a particular expertise and for the purpose of his job requires particular equipment, the quality of which he can endorse by lending his name. So far as the evidence shows, the plaintiffs possess no relevant copyright (save perhaps their logo) in connection with which they can grant licences. In all the circumstances I do not think it surprising that Mr Stringfellow, for all his business acumen, had never contemplated the exploitation of the name in this manner until the present dispute arose. When it was put to him in cross-examination that he had never done anything about franchising the use of his name, he replied with characteristic frankness: ‘No, sir. The honest truth of that is that McCain’s advert has woken me up that I should have been making moves. They jumped the gun on me’. But, since the evidence does not show that McCain itself has derived, or is likely to derive, any benefit at all from any association of its product with the club, McCain itself presumably would not have been in the market as a potential franchise. In my opinion, the evidence as a whole gives no solid basis for inferring that,
but for the television advertisement, the plaintiffs would have been in a position profitably to exploit merchandising rights in the name Stringfellows.

The need for a common field of activity has been stated in several cases: however, practices such as character merchandising may well render this obsolete. In *Mirage Studios v Counter-Feat Clothing Ltd* [1991] FSR 145 (the *Ninja Turtles* case) the plaintiffs had created a group of cartoon characters whose fame seems to have been so ephemeral that it is worth quoting the judgment of Browne-Wilkinson VC, himself referring to the plaintiffs’ information sheet:

The Turtles consist of four characters, named Leonardo, Donatello, Michelangelo and Raphael, who are:

- party-loving, muscle-bound crime fighters who have one major weakness, their love for pizza. Zapped by mutagen our heroes are transformed into mutant lifesize crime fighters who combat evil with Ninja fighting techniques taught to them by the friendly guru, Ratsplinter. Living in the sewers of New York, the Turtles, known as Ninja Turtles in the US, have become a major success in terms of popularity and licensing.

The Vice Chancellor explained how the reference to ‘Ninja’ had been dropped by the BBC when they first began broadcasting the adventures of the Turtles on the television, the word – a shortened version of the Japanese ninjitsu, meaning hired assassin – being considered to have the wrong associations for a young audience. (The strength of the global brand is illustrated by the fact that this modification did not survive the release of the Turtles’ first, and so far as the author is aware only, feature film.)

The nature of the beast is a humanoid turtle, usually but not invariably green in colour, heavily muscled according to human musculature, they have bare, aggressive, old-fashioned weapons: their general demeanour is at once jolly and aggressive. They wear, I imagine derived from the Ninjitsu tradition, coloured masks over their eyes, they have coloured scarves on their elbows and wrists and their knees. Each of the four Ninja Turtle characters has a belt surrounding its midriff with an initial on the buckle for his name – L, D, M or R as the case may be.

The judge went on to explain how the activity of character merchandising had grown up. The owners of the copyright in the drawings of the characters license their use on various items, and receive royalty payments. The defendants operated as licensing factors, usually obtaining a licence to use such material as the Turtles from the owners and (because there was often a restriction on sublicensing) appointing its clients, small clothing manufacturers, as its manufacturing agents. These agents would make clothing bearing the licensed images, and sell it to the first defendant who would then sell it back to the clothing maker.

The defendants did not have the right to produce Ninja Turtle items. Instead, they devised their own turtle characters, intentionally unlike the plaintiffs':
They were humanoid to the extent that they were moving on what would in an ordinary turtle be the hind legs, they were muscular in human terms: there were four of them, but they didn’t enjoy the artistic names of the plaintiffs’ turtles: they were renamed Trevor, Jake, Tony and, I think, Totty. They wore coloured headgear in the form of caps, and on occasion bandanas, but not as masks. They had coloured pads on their knees and arms. In one of the designs, on a shop front one can detect the words ‘ZZA’, the inference being fairly clearly that those letters indicate the end of the word ‘pizza,’ which it will be remembered is the one weakness of the Ninja Turtle. They are aggressive, though not carrying weapons, their aggression being directed more to the sporting field than the battlefield ...

The words Ninja Turtles appeared on some of the defendants’ designs, though the judge was at pains to point out that the designs were not copies of the plaintiffs’ designs. He had to consider whether there was a good arguable case for the plaintiffs: the case before him was a application for an interlocutory injunction, and the principles laid down by the House of Lords in American Cyanamid v Ethicon Ltd [1975] AC 396 had to be applied. He referred to Lord Diplock’s five-part test in the Advocaat case, and asked first, has there been a misrepresentation?

The critical evidence in this case is that a substantial number of the buying public now expect and know that where a famous cartoon or television character is reproduced on goods, that reproduction is the result of a licence granted by the owner of the copyright or the owner of other rights in that character. Mr Smith, the defendant, accepted that evidence subject to this: he said that was only true where the reproduced matter was an exact reproduction of the character in the cartoon or television show, whereas in his case the defendants’ turtles were different. I cannot accept that. If, as the evidence here shows, the public mistake the defendants’ turtles for those which might be called genuine plaintiffs’ Turtles, once they have made that mistake they will assume that the product in question has been licensed to use the Turtles on it. That is to say, they will connect what they mistakenly think to be the plaintiffs’ Turtles with the plaintiffs. To put on the market goods which the public mistake for the genuine article necessarily involves a misrepresentation to the public that they are genuine. On the evidence in this case, the belief that the goods are genuine involves a further misrepresentation, namely that they are licensed.

... The fourth requirement is that the misrepresentation must be calculated to injure the business or goodwill of another trader in the sense that this is a reasonably foreseeable consequence. In my judgment, that is the critical question in the present case. What is the plaintiffs’ business or goodwill? Mirage Studios are plainly in business as the creators and marketers of cartoons, videos and films of their characters, the Ninja Turtles. But the evidence is quite clear that that is only part of their business: their business also includes the turning to profit of those characters by licensing the reproduction of them on goods sold by other people. A major part of their business income
arises from royalties to be received from such licensing enterprises. In relation to the drawings of Ninja Turtles as they appear in cartoons, etc there is a copyright which can be infringed. If one wishes to take advantage of the Ninja character it is necessary to reproduce the Ninja Turtles and thereby the concept, bizarre and unusual as it is, of the Teenage Mutant Turtle becomes a marketable commodity. It is in that business that the plaintiffs are engaged.

That dual nature of the plaintiffs’ business (namely both the creation and exploitation of the cartoons and films themselves and the licensing of the right to use those creations) is in my judgment important. As I have said, if others are able to reproduce or apparently reproduce the Turtles without paying licence royalties to the plaintiffs, they will lose the royalties. Since the public associates the goods with the creator of the characters, the depreciation of the image by fixing the Turtle picture to inferior goods and inferior materials may seriously reduce the value of the licensing right. This damage to an important part of the plaintiffs’ business is therefore plainly foreseeable.

The fifth of Lord Diplock’s requirements is that foreseen damage actually occurs, or will probably do so. Again, in my judgment that is manifestly clear in the present case.

Therefore, on that analysis, the five essential elements to a passing off action as laid down by Lord Diplock are present. However, he gives a warning that those are minimum requirements: it does not follow that if those requirements are satisfied, there is necessarily a claim in passing off. This is a case where that is particularly true. In the ordinary case, a passing off action applies to goods which have been manufactured or marketed by the plaintiff. Here the plaintiffs have no part in either manufacturing or marketing the goods: they are neither makers nor sellers. The goods, the tee shirts, the jogging bottoms and so on are manufactured by others. The plaintiffs’ only connection with the marketing of those goods is by the affixing of their characters, the Turtles, on to the merchandise of others. But, crucially, the evidence shows that the public is aware that the Turtle characters would not normally appear without the licence of the plaintiffs, ie they connect the Turtles with the plaintiffs. The question is whether that link between the goods being sold and the plaintiffs is sufficient to found a case in passing off. In my judgment, it should be.

It has been held to be a sufficient link in Australia. In *Children’s Television Workshop Inc v Woolworths (New South Wales) Limited* [1981] RPC 187 (the *Muppet* case) the Chief Justice in Equity of the Supreme Court of New South Wales held that the owners of the copyright and merchandising rights in Australia of the Muppets were entitled to interlocutory relief against other persons seeking to use Muppet characters in conjunction with the marketing of goods in New South Wales. The evidence there, as it is here, is that the public would know of a link between the appearance of the Muppet characters on goods and the existence of a licence to use those characters granted by the creator of the Muppets. The learned judge held that by the unlicensed use of Muppet characters on the goods, the defendants were misrepresenting that they had a connection with the owner of the copyright and were licensees of the rights in the Muppets.
Similarly, in *Fido Dido Inc v Venture Stores (Retailers) Proprietary Limited* 16 IPR 365, Foster J in the Federal Court of Australia held that the creator of the character Fido Dido and his licensees in Australia had a cause of action against somebody seeking to use the character Fido Dido without their licence. Although the injunction was refused on the facts of that case, the learned judge held that it was sufficient that there should be a public awareness that the character, Fido Dido, would have been created and licensed by someone who had a business interest in putting them on the market.

In my judgment, the law as developed in Australia is sound. There is no reason why a remedy in passing off should be limited to those who market or sell the goods themselves. If the public is misled in a relevant way as to a feature of the goods as sold, that is sufficient to found a cause of action in passing off brought by those people with whom the public associate that feature or that quality which has been misrepresented. Miss Vitoria [for the defendants] submitted that the Australian law, however good in principle, was not the law of this country and reminded me firmly and correctly that my job is to apply the law of this country and not the law of Australia.

She relies in particular on three cases. The first concerned *The Wombles: Wombles Limited v Wombles Skips Limited* [1977] RPC 99. The Wombles were well-known fictitious characters then highly popular amongst children, who had been the subject of a television series and had been otherwise commercially exploited. The defendant chose to call his company Wombles Skips Limited and printed Wombles on the side of the skips: but apart from that made no use of any representation of The Wombles or any character in it. Walton J held that the plaintiffs had no arguable case to found a claim for an interlocutory injunction. His ground for the decision was that there was no common field of activity in which the plaintiffs and the defendants were operating. Second, he relied on the fact that there was only the taking of the name ‘Wombles’: there was no other use of any Womble character or representation of any copyright material. Miss Vitoria accepts that the so-called requirement of law that there should be a common field of activity is now discredited. As to the other ground (namely that there was only the use of the name) the decision may still be good law. There is no copyright in a name. If Wombles be a name, as the judge thought it was, then it is hard to see what business the plaintiffs could have been carrying on in licensing the copyright in the name and the name alone. Here, on the contrary, the plaintiffs are carrying on the business of licensing the copyright in the drawings of the Ninja Turtles in which copyright does exist.

The second decision is also by Walton J: *Taverner Rutledge Limited v Trexapalm Limited* [1975] FSR 179. It related to lollipops called in one form or another ‘Kojak Lollies’ or ‘Kojak Pops,’ both drawing on the name of the well-known fictitious television character ‘Kojak,’ who is much given to sucking lollies. A claim to interlocutory relief by those entitled to what they said were the rights in the name Kojak failed before Walton J again on the ground that there was no common field of activity. It is interesting to note that at line 40 on p 280, Walton J said it was not established on the evidence (and he would have been very surprised if it had been) that the system of character merchandising was known to the man on the street. That is contrary to the position as it exists on
the evidence before me where, as I say, the evidence clearly establishes that it now is known to the man on the street. After all, 13 years have passed since the decision in that case. Moreover, it is to be noted in Taverner Rutledge that the matter at issue was again simply a name, Kojak, in which under copyright law there can be no copyright. Therefore, the defendants could not have been interfering with the business of the plaintiffs in licensing the copyright in the name. Walton J made certain remarks about the need to show an awareness in the public that licensors of characters were concerned to uphold the quality of the good on which the characters appear. At the moment I am afraid I do not understand why that is an essential characteristic of passing off: he made the remark in the context of finding that there was no field of common activity.

The third case is the Abba case, a decision of Oliver J as he then was: Lynstad v Anabas Products Limited [1975] FSR 488. The pop group, Abba, sought to restrain the defendants from applying their name to clothing, pillow slips and tee shirts. Therefore, it was another case in which the name only was being copied. Was there any property in the name alone which could be protected under English law? That was the point relied on by Oliver J at p 68 when he stressed the fact that there was no copyright in the name. In addition, in that case, there was no evidence of substantial exploitation by Abba of any licensing rights in this country. In those circumstances, the judge was unimpressed by the strength of the plaintiff’s case and refused an interlocutory injunction on the grounds of balance of convenience. I do not find that anything in that case inconsistent with the Australian cases. Again, it was concerned with licensing rights in a name as opposed to licensing rights in what is undoubtedly copyright material. It may be that different factors apply in such a case, though those cases may, given the change in trading habits, require reconsideration on a future occasion if the evidence before the court is different.

In my judgment the three English cases do not touch on a case such as the present where the plaintiff clearly has copyright in the drawings and is in business on a large scale in this country licensing the use of the copyright in those drawings. The defendant is misrepresenting to the public that his drawings are the drawings of the plaintiffs or are licensed by the plaintiffs. I can see no reason why, in those circumstances, the defendant should be allowed to misrepresent his goods that way. I therefore consider that if the case went to trial, the plaintiffs’ case in passing off would succeed.
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