United Kingdom

PATENTS

Costs issues arising out of twin proceedings in the EPO and the U.K. courts

Lenzing AG v. Courtaulds plc
High Court, Chancery Division, Patents Court
December 20, 1996
Jacob J.

Facts: Lenzing's European patent was granted by the EPO in 1992. Courtaulds filed an opposition, but the EPO Opposition Division upheld the patent at a hearing in May 1994. Courtaulds responded by both (1) appealing the EPO opposition decision to the EPO Board of Appeal; and (2) petitioning in September 1994 to the Patents Court in the United Kingdom to revoke the corresponding European patent (U.K.). In response, Lenzing issued a writ against Courtaulds for infringement of the European patent (U.K.), and these revocation and infringement proceedings proceeded in parallel.

However, in May 1996, the European patent was revoked at the hearing of the EPO Board of Appeal. The European patent (U.K.) was therefore automatically revoked (although Lenzing did unsuccessfully try to persuade the English court that it had jurisdiction judicially to review the effect of the revocation of the European patent), and so the English revocation and infringement proceedings automatically came to a close as having no subject-matter. Courtaulds applied to the English court for an order that Lenzing pay Courtaulds their English legal costs.

Lenzing conceded that they would have to pay the costs of the issue of infringement as such because it was Lenzing's choice to issue a writ for infringement. However, they argued that Courtaulds should pay the costs relating to the issue of validity of the European patent (U.K.), on the basis that Courtaulds' petition for revocation of the European patent (U.K.): (1) was an unnecessary duplication of their opposition of the European patent; and (2) failed in any event because, when the EPO revokes a patent during opposition, the revocation is deemed never to have been granted—it argued that Courtaulds petitioned for revocation of a patent that did not (it transpired) exist. Furthermore, they argued that it would be unjust for a petitioner to the English court to have its legal costs paid in English proceedings where the EPO may revoke the patent on completely different grounds from those raised in the English court.

Held: Jacob J. granted Courtaulds their costs relating to both validity and infringement. He held that where an opponent and petitioner/defendant acts "reasonably" in order to protect its commercial position, it will be able to recover from the patentee its English revocation and infringement costs. Indeed, the judge considered that a company should not be discouraged from petitioning for revocation to defend itself against the "threat" of a patent infringement action—in this context, the patentee's ownership of a patent might be regarded as the first "aggressive" act. Jacob J. found that Courtaulds had acted reasonably by petitioning to revoke in the United Kingdom soon after the unfavourable EPO opposition decision, and awarded Courtaulds their costs.

Jacob J. indicated that a company may be acting "unreasonably" if it petitions for revocation in the United Kingdom just before an EPO Appeal Board hearing. However, in these circumstances it would appear that the costs in the English proceedings would be minimal by the time the EPO revokes the patent.

Comment: It is standard practice in England that revocation and infringement proceedings are not stayed pending the outcome of an opposition or appeal in the EPO. The two are allowed to proceed in parallel and it is quite possible for first and second instance judgments in the English proceedings to be given before the corresponding hearings in the Opposition Division and Board of Appeal. Previously, however, twin-track proceedings may have been discouraged in all but the largest cases by the uncertainty as to who would pay costs in the United Kingdom if the patent were revoked in the EPO. In the future, prospective defendants with a genuine commercial interest to protect need not be deterred from attacking a competitor's patent in both the Patents Court and the EPO.

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TRADE MARKS

Domain name registration—Order 14 application—trade mark infringement and passing off

Harrods Ltd v. UK Network Services Ltd and Others
High Court, Chancery Division
December 9, 1996
Lightman J.
Unreported

Facts: The second defendant was a director and the third defendant an employee of the first defendant. Between them, they agreed to apply for the domain name "harrods.com", and lodged an application with Network Solutions Inc. of the United States—which company provides certain services relating to the registration of Internet domain names.

In August 1995, Network Solutions Inc. registered the domain name in the name of the first defendant and designated the second defendant as the administrative contact, technical contact and zone contact.

The internationally renowned department store Harrods contacted Network Solutions Inc. and requested them to invoke their dispute resolution policy to prevent

that domain name from being used by the defendants. The basis of their complaint was that they own a number of *Harrods* trade mark registrations. The specification of goods for their class 9 registration is for "electrical and electronic apparatus and instruments; photographic and cinematographic apparatus and instruments; computers, computer programmes, cassettes, disks, wires and tapes all for bearing sound and/or video recording; video games; calculators; amusement apparatus parts and fittings for the aforesaid goods".

In accordance with its dispute resolution policy, Network Solutions requested the first defendant either to provide proof that it owned a registered trade mark for the domain name, or alternatively to abandon that domain name and accept a different name. Refusal to abandon the domain name or failure to respond to the request resulted in the domain name being suspended in March 1996, pending resolution of the dispute.

In the meantime, the first, second and third defendants had agreed to transfer rights in a number of domain names, including "harrods.com", to the fifth defendant.

Harrods commenced legal proceedings in England against all the defendants on the basis that they had threatened to use the domain name in the course of trade, which would amount to trade mark infringement within the meaning of section 10 (2) of the Trade Marks Act 1994. The plaintiff claimed that use of the domain name for the purposes of identifying a computer connected to the Internet amounted to use in relation to identical or similar goods to their class 9 registration, and there was a likelihood of confusion. They also pleaded section 10 (3) of the Trade Marks Act 1994 that use on dissimilar goods would take undue advantage of and would be detrimental to the distinctive character or repute of the *Harrods* trade mark registrations.

The Statement of Claim also alleged passing off in that the users of the Internet would believe that the defendants' computers were those of the plaintiff or were connected or approved by them. As far as loss and damage were concerned, Harrods' claim was that they had been unable to register the domain name in their name and, as a result, others were unable to communicate with Harrods on the Internet using this domain name. The plaintiff also pleaded conspiracy, alleging that the predominant purpose of obtaining this registration was to secure payment from Harrods for the release of the name or to prevent Harrods from using the domain name. Either scenario was intended to injure Harrods.

An application for summary judgment was heard by Mr Justice Lightman in the absence of the defendants. The fifth defendant had agreed to the terms of the order.

Held: It was ordered that the defendants:

(1) do forthwith take all steps within their powers to release or facilitate the release of the domain name "harrods.com";
(2) be restrained from infringing the *Harrods* trade mark or passing off their respective businesses or services as being of or connected with the plaintiff by use of the mark *Harrods* or any colourably similar mark;
(3) deliver up all articles and documents the sale or use of which would contravene the order.

Comment: Clearly the outcome in this case was just, especially given that searches revealed that the first defendant had registered other domain names which are similar to trade marks of other well-known companies. However, had the hearing been fully contested, it is certainly possible that an Order 14 application might not have succeeded. The court's guidance on a number of issues would be helpful. For example, in this case the defendants had not set up a web site, and entering the domain name in question only gave details of the owner of the domain name and the zone contact. It is arguable that the use of a domain name merely to access a terminal (especially one which offers no goods and services and has no web site) does not amount to trade mark infringement. Using a domain name in this way for access only is akin to dialling a telephone number. By way of analogy, the well-known store "7 Eleven" would be unable to prevent others from owning telephone numbers which included the digits "711".

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