

SLAUGHTER AND MAY /

WELCOME TO THE IP BRIEF

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

MAY 2024



/ INTRODUCTION

In this first edition, we take a look at:

- the UK government's decision to abandon its proposed Code of Practice on Copyright and AI;
- the Court of Appeal's interpretation of a royalties clause in a patent sub-licence relating to second medical use claims;
- the UK Supreme Court's decision on targeting in *Lifestyle Equities v Amazon*;
- various High Court, Court of Appeal and CJEU decisions looking at trade mark and design right infringement – several of which highlight the fact-specific nature of these sorts of actions and the difficulties of overturning first instance decisions on appeal; and
- the latest from the UK courts and the UKIPO on SEP litigation and FRAND licensing.

COPYRIGHT

UK GOVERNMENT ABANDONS VOLUNTARY CODE OF PRACTICE ON COPYRIGHT AND AI

The interplay between copyright and AI (particularly generative AI), and the debate about how best to balance the rights of AI developers and IP rights holders, continues to rage on. After a failed attempt in the Summer of 2022 to introduce a broad exception for text and data mining (“TDM”), which would allow TDM for commercial purposes with no ability for rights holders to opt out or contract out, policymakers had tasked the UK Intellectual Property Office (“UKIPO”) with brokering consensus between AI developers and rights holders on a new voluntary code of practice on copyright and AI. However, on 6 February, the UK government confirmed in its **AI white paper consultation response** that discussions to agree that code have failed. Responsibility has now passed back to DSIT and DCMS ministers who are to engage with AI developers and rights holders anew in their search for solutions. Whilst not unexpected, a return to square one will be a disappointing outcome for AI developers and rights holders alike - uncertainty remains over a complex legal question that is being examined in the context of a field evolving at unprecedented speed. We take a closer look at what's at stake, what has happened so far and what might be coming next, [here](#).

IP LICENSING

INTERPRETING ROYALTY OBLIGATIONS FOR SECOND MEDICAL USE PATENTS

The Court of Appeal has considered the scope of a royalties clause in a patent licence relating to second medical use claims. The licensor (AstraZeneca) claimed that the licence required the licensee (Tesaro) to pay royalties on all sales of relevant products, while Tesaro claimed that royalties were only payable on sales for uses claimed or covered by the licensed patents (so called “pay to infringe”). At first instance, the High Court found in favour of AstraZeneca and held that Tesaro had to pay royalties on all sales in each country where at least one licensed patent subsists, regardless of whether those sales fell within the scope of the claims of the licensed patents. The Court of Appeal, however, overturned this, finding that royalties were only payable for sales for uses covered or claimed by the licensed patents. Whilst the decision ultimately depended on the specific drafting of the clauses under consideration, this case highlights some of the complexities that can arise when drafting royalty provisions in patent licences, particularly those relating to second medical use patents; and confirms that when interpreting a clause with two possible meanings, one of which is lawful and the other unlawful (here, due to potential contravention of the US doctrine of patent misuse), the former should be preferred. Case: *AstraZeneca UK Ltd v Tesaro, Inc. [2024] EWCA Civ 78*. See our [IP briefing](#) for more details.

TRADE MARKS AND DESIGN RIGHTS

AMAZON IN THE FIRING LINE AS UK SUPREME COURT TACKLES TARGETING

The UK Supreme Court has confirmed that Amazon infringed Lifestyle Equities’ UK and EU trade marks by offering for sale certain third party goods to UK consumers through its US website, Amazon.com. As with many cases of online trade mark infringement, whether or not Amazon infringed ultimately came down to whether Amazon had used Lifestyle Equities’ trade marks “in the UK” – something the English courts commonly refer to as “targeting”. This is the first time that the Supreme Court has considered targeting in a trade mark infringement context and so this decision will be of material interest to those selling online – particularly where goods are marketed across borders.

Balancing the facts and evidence before it, and following a review of the successive pages of Amazon.com that would have been visible to the average consumer, the court concluded that Amazon’s marketing and offers for sale were targeted at the UK. Factors supporting this conclusion included: (i) the presence of the words “Deliver to the United Kingdom” on the landing page and almost all subsequent pages of Amazon.com; (ii) the presence of a pop-up box telling UK consumers that they will be shown precisely which goods are available for delivery in the UK; and (iii) the “Review your order” page offering the goods for sale to a consumer with a UK address for delivery, with UK specific delivery times and prices, and the ability to pay in Sterling. Whilst there were some factors pointing against targeting (e.g. a notice referring to Amazon’s UK website and the fact that the default currency was US dollars) these were not sufficient to sway the court away from its conclusion. Case: *Lifestyle Equities Cv and another v Amazon UK Services Ltd and others [2024] UKSC 8*. See our [blog](#) for more details.

COURT OF APPEAL CONFIRMS TESCO'S CLUBCARD PRICES LOGO INFRINGED LIDL'S TRADE MARKS BUT OVERTURNS FINDING OF COPYRIGHT INFRINGEMENT

The Court of Appeal has upheld the High Court's finding that Tesco's use of its Clubcard Prices logo (see below right) infringed Lidl's UK trade mark for its "Mark with Text" (see middle image below) and amounted to passing off. However, it overturned the High Court's finding of copyright infringement.

Lidl pleaded that Tesco had infringed its trade marks by taking unfair advantage of them and causing dilution, contrary to section 10(3) Trade Marks Act 1994. But the way that its case was pleaded was unusual, in that it focussed on taking unfair advantage, or damaging the distinctive character, of the mark's reputation for discount prices. Its case on passing off took a similar approach, arguing that Tesco had misrepresented that its products shared certain qualities with Lidl's products, including that they were sold at the same or equivalent prices. As a result, a large part of the first instance decision on trade mark infringement and passing off, and in turn the basis of Tesco's appeal, turned on whether the average consumer seeing the Clubcard Price signs would be led to believe that the price being advertised had been "price-matched" by Tesco with the equivalent Lidl price. This issue was most directly addressed at first instance in the judge's reasoning on misrepresentation in passing off, with the judge finding, based on the evidence before them, that a substantial number of consumers would be misled in this way. As misrepresentation is a question of fact, the Court of Appeal could only overturn this finding if it was "rationally insupportable". And, whilst Lord Justice Lewison described the decision as "at the outer

boundaries of trade mark protection and passing off" and made it clear that he would likely not have reached the same conclusion, the Court of Appeal was not persuaded that the first instance decision was rationally insupportable. The appeal was therefore dismissed, highlighting how fact specific cases of this kind can be, how difficult it can be to overturn the findings of a first instance court on appeal and, as result, the importance of putting your best case forward from the very beginning.

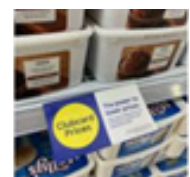
With respect to copyright, the Court of Appeal agreed with the High Court that copyright subsisted in the pleaded version of Lidl's logo. However, it did not agree that that copyright had been infringed. Although the only elements that were relevant for these purposes were the addition of the square framing and blue background, the court found that this was sufficient to attract copyright protection because the author had made the following choices: (i) the precise shade of blue; (ii) the positioning of the yellow circular logo and stylized Lidl text centrally within the square; and (iii) the distance between the edge of the yellow circular logo and the edges of the square. Despite this, the Court of Appeal ultimately went on to find that there had been no infringement of that copyright by Tesco in creating its Clubcard Prices logo because Tesco hadn't copied at least two of the elements that made that work original – the particular shade of blue chosen and the distance between the circle and the square – and therefore Tesco hadn't reproduced a substantial part of Lidl's copyright work. This suggests that whilst the English courts may be prepared to accept that UK copyright subsists in relatively simple works, where they do so, the scope of protection conferred by that copyright is likely to be narrow. Case: *LIDL Great Britain Ltd and another company v Tesco Stores Ltd and another company* [2024] EWCA Civ 262.



The Wordless Mark



The Mark with Text



UK COURT OF APPEAL AND HIGH COURT CONSIDER ALDI LOOKALIKE PRODUCTS

Two recent decisions have been handed down by the English courts dealing with Aldi lookalike products – one relating to questions of trade mark infringement and passing off; the other looking at infringement of registered designs.

In *Thatchers Cider Company v Aldi Stores*, the High Court found that Aldi’s cloudy lemon cider product (see below right) did not infringe Thatcher’s UK registered trade mark relating to its own cloudy lemon cider drink (see below left). In the court’s opinion, there was a low degree of similarity between the Thatchers’ trade mark and Aldi’s sign – which was found to be the overall appearance of a single can of Aldi’s product – but the principal dominating features were the “THATCHERS” brand in the trade mark and the “TAURUS” brand and bulls head device in the sign, which were found to be dissimilar. Of those elements that the court found to be similar, the text was seen to be descriptive, the limited colour palette ubiquitous and the use of lemons and lemon leaves on lemon-flavoured drinks commonplace. As a result, whilst Aldi’s sign may have called the Thatcher’s trade mark to mind, the court found no likelihood of confusion on the part of the public.

Looking at unfair advantage, the court was satisfied that the trade mark had a reputation in the UK, but it wasn’t persuaded that Aldi intended to take advantage of the goodwill and reputation of Thatchers’ trade mark or that the use of the sign objectively had the effect of doing so. Nor was it convinced that Aldi’s actions caused consumers to change their economic behaviour. So, Thatcher’s claim for unfair advantage also failed, as did its claims relating to tarnishment and passing off. Case: *Thatchers Cider Company Ltd v Aldi Stores Ltd [2024] EWHC 88 (IPEC)*.

In *Marks and Spencer v Aldi Stores*, by contrast, M&S sought to rely on its UK registered designs in order to challenge Aldi’s product – this time a gin-based flavoured liqueur product. M&S had registered four UK designs relating to its light-up, festively decorated gin bottle containing edible gold flakes (see below left for one example). Aldi launched a rival gin-based flavoured liqueur product sold in a similarly decorated light-up bottle containing gold flakes (see below right). At first instance, the judge concluded that Aldi’s product infringed M&S’s registered designs as it did not produce a different overall impression on the informed user - who was found to be a UK purchaser and consumer of spirits and liqueurs. Whilst some differences were identified, they were found to be of relatively minor detail and not sufficient to alter this conclusion. Aldi appealed on various grounds. However, given the first instance judge’s findings involved a multi-factorial assessment, the Court of Appeal could only intervene if he had erred in law or principle. And the Court of Appeal concluded that he had not – again highlighting (as with the *Lidl v Tesco* case above) the high threshold for a successful appeal in IP infringement proceedings. Case: *Marks and Spencer PLC v Aldi Stores Ltd [2024] EWCA Civ 178*.

Given the notorious difficulties of enforcing trade marks against lookalike products in the UK, and Marks and Spencer’s success here relying on registered designs, it will be interesting to see whether more manufacturers and brands start to focus on obtaining UK registered design protection for the get-up of their products.



Thatcher’s trade mark



ALDI’s Product



M&S registered Design



ALDI’s Product

DREAM PAIRS INFRINGED UMBRO'S DOUBLE DIAMOND MARK AS FIRST INSTANCE DECISION DEEMED "RATIONALLY INSUPPORTABLE"

The Court of Appeal has upheld Iconix's appeal and found that Dream Pairs infringed its Umbro double diamond logo (below left) by using their Dream Pairs logo (below right) on footwear. In contrast to the *Lidl v Tesco* case noted above, this case provides an example of a first instance decision that the Court of Appeal did not consider to be "rationally supportable".

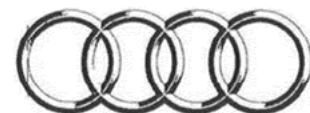
At first instance, the High Court found that there was, at most, a very low degree of similarity ("very faint indeed") between Umbro's mark and Dream Pairs' sign. Whilst the identical nature of the goods offset this to some extent, the court found that there was no likelihood of confusion either at the point of sale or post-sale. The Court of Appeal disagreed, finding that the judge fell into error in several respects, including on similarity and when considering the post-sale context. Whilst the Court of Appeal found the High Court's assessment of similarity to be supportable when Umbro's mark and Dream Paris' sign were considered as graphic images, it was doubtful that the same was true when Dream Pairs' sign was affixed to footwear and viewed square-on; and it was "rationally insupportable" when affixed to footwear and viewed from other angles. In the post-sale context, consumers would not be conducting a side-by-side comparison of the sign and the Umbro mark, and some consumers may never have seen Dream Pairs' sign in its purely graphic form. This, combined with the fact that viewers in the post-sale context would likely be looking at the sign from an angle (e.g. looking down from head height at someone else's feet) rather than square-on, led the Court of Appeal to conclude that there was a moderately high level of similarity between the mark and the sign, particularly once imperfect recollection is taken into account. Looking at all of this in the round, the Court of Appeal concluded that there was a likelihood of confusion on the part of the public and that Dream Pairs had therefore infringed Iconix's Umbro mark. Case: *Iconix Luxembourg Holdings SARL v Dream Pairs Europe Inc & Anor* [2024] EWCA Civ 29.



Umbro
Mark



Dream Pairs'
Sign



CAR RADIATOR GRILLES SHAPED TO ATTACH AUDI LOGO MAY INFRINGE TRADE MARKS

The CJEU has given its preliminary ruling on whether the importation and offering for sale of certain spare parts (car radiator grilles), which contain an element designed to attach Audi's "four ring" trade mark and which mirror the shape of that trade mark, may infringe Audi's EUTMs. The CJEU concluded that it might - such use would amount to "using a sign in the course of trade" in a manner which is liable to adversely affect one of the functions of the mark. Whether or not such use did in fact do so is a question for the national court to consider.

Whilst acknowledging the defendant's arguments that such a conclusion could have an impact on competition within the spare parts market, the court noted that, unlike for design rights, there is no exception to trade mark infringement relating to repair or the provision of spare parts. However, in its view, the referential use exception in Article 14(1) (c) of the EU Trade Mark Regulation (which restricts the ability of a trade mark owner to enforce its rights where a third party has used its mark to identify the relevant goods as those of the proprietor, for example, to indicate their intended purpose) already takes into account the objective of preserving undistorted competition. That defence was not, however, available to the defendant in this case because it had incorporated the shape of Audi's trade mark into the spare part itself, in order to reproduce as closely as possible Audi's original radiator grille, rather than to indicate that the spare part was to be incorporated into Audi cars. Case: *Case C-334/22 | Audi (Emblem support on a radiator grille)*.

PATENTS

SEP LITIGATION AND FRAND LICENSING CONTINUES TO OCCUPY THE ENGLISH COURTS AND THE UKIPO

Standard Essential Patent (SEP) litigation and questions relating to fair, reasonable and non-discriminatory (FRAND) licensing continue to occupy the English courts, with a number of interesting judgments handed down in Q1 2024. Those include:

- A High Court judgment on consequential matters in **Optis v Apple**, which looked at questions relating to: the extent to which redactions in the court’s judgment on the terms of the FRAND licence (see [here](#)) should be lifted; whether interest should be payable by Apple on the release for past infringements and, if so, what the applicable rate should be; who should bear the costs of the FRAND trial where neither party was successful in their arguments; the inter-relationship between the UK proceedings and parallel (partially duplicative) proceedings before the US District Court for the Eastern District of Texas and whether certain US patents could be carved out of the UK court-determined global FRAND licence; and Optis’ application for permission to appeal the FRAND decision (which was refused). Case: *Optis Cellular Technology LLC and others v Apple Retail UK Ltd and others* [2024] EWHC 197 (Ch).
- The Patents Court’s refusal to grant Lenovo a declaration that the terms of its proposed draft interim licence of various 3G – 5G SEPs owned by InterDigital would be FRAND, following the expiry of last year’s court-determined FRAND licence on 31 December 2023 (as to which, see further [here](#)). Case: *Lenovo Group Limited and others v Interdigital Technology Corporation and others* [2024] EWHC 596 (Ch).

SEPs and FRAND licensing also remain on the UKIPO’s agenda, with the UKIPO having recently reported its **key SEP objectives for 2024**. Those are:

- helping implementers, especially SMEs, navigate and better understand the SEP ecosystem and FRAND licensing;
- improving transparency, for both pricing and essentiality; and
- achieving greater efficiency in respect of dispute resolution, including arbitration and mediation.

In order to deliver against those objectives, the UK government has said that it plans to focus on the introduction of non-regulatory interventions, before commencing a public, technical consultation on SEPs and FRAND licensing later this year or in 2025. Two non-regulatory interventions have been identified so far: (i) the introduction of a “UK resource hub”, which will be “a repository of tools, guidance and other material designed largely to help SMEs navigate the SEP ecosystem”; and (ii) recognising that SEPs are a global issue, the UKIPO intends to increase its international collaboration with other patent offices and with standard development organisations. As for the consultation, it looks like that will focus on examining options that could help improve the functioning of the SEP market, but the UKIPO has expressly stated that it will not consult on making legislative changes to narrow the use of injunctions in SEP disputes.

CONTACTS

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



David Ives
Partner
+44 (0)20 7090 4266
david.ives@slaughterandmay.com



Duncan Blaikie
Partner
+44 (0)20 7090 4275
duncan.blaikie@slaughterandmay.com



Laura Houston
Partner
+44 (0)20 7090 4230
laura.houston@slaughterandmay.com



Rob Sumroy
Partner
+44 (0)20 7090 4032
rob.sumroy@slaughterandmay.com



Richard McDonnell
Senior Counsel
+44 (0)20 7090 4240
richard.mcdonnell@slaughterandmay.com



Richard Barker
Senior PSL
+44 (0)20 7090 4522
richard.barker@slaughterandmay.com