

Serle Court
Prepared by Kysen PR
Date November/December Edition 2019
Publication Solicitors Journal
Type of publication Legal

SOLICITORS JOURNAL

PRACTICE NOTES COMMERCIAL PROPERTY
SOLICITORS JOURNAL

Cats and dogs: a lesson in unregistered IP rights

If it's your perception that intellectual property has little to do with commercial property, you are wrong, as *Michael Edenborough QC* explains


Michael Edenborough QC

Michael Edenborough QC practices from Serle Court Chambers serlecourt.co.uk

At first blush, intellectual property (IP) has nothing to do with real property. However, that first impression is wrong. While a typical residential property matter rarely has any IP ramifications, the opposite is usually true for commercial property matters.

IP issues are commonly overlooked for a number of reasons, for instance, simply being unaware of their presence or because of an inchoate fear that 'there be dragons' – and it is best if one does not delve too deeply for fear of awakening an unknown horror. Certainly, the latter reason seems to prevail in many commercial disputes where it is equally misplaced.

Yet there is a growing awareness among commercial litigators that leveraging an IP issue can prove strategically advantageous. The same realisation needs to become more common among commercial property lawyers in their property transactions.

There are three main registered IP rights: patents, registered designs and trademarks (the latter is the most relevant for present purposes).

UNREGISTERED RIGHTS

There are also several unregistered IP rights including trademarks and goodwill, copyright, moral rights and confidential information which should be considered.

Goodwill is "the attractive force that brings in custom" (*IRC v Muller & Co's Margarine Ltd* [1901] AC 217). It is an asset of a business that arises when an indicium (a technical term used to refer to any sign whatever its nature) is used in the course of trade to indicate to customers or potential customers that the goods or services associated with that indicium originate from one trade source.

It can be protected at common law by the tort of passing off, which is actionable when there is a misrepresentation that damages the goodwill. Typically, the indicium is a distinctive word but it can, in fact, be anything distinctive such as the name of a building – or in the case of iconic structures, even the shape of the building itself (eg the Eiffel Tower, Paris and the Spinnaker Tower in Portsmouth).

When, for example, a public house is sold the goodwill associated with that business is a separate asset from the real property.

The value of that goodwill varies depending upon the customer base that remains loyal to the new landlord, taking into account those customers who migrate to the new premises of the previous landlord.

Memorably, the difference between these customers has been likened to the difference in behaviour between cats and dogs, ie those who stay put, and those who follow their owner (*Whiteman Smith Motor Co Ltd v Chaplin* [1934] 2 KB 35).

This means the goodwill associated with a business centred on such a property must be ascertained and valued separately.

NOT AS EXPECTED

A particular problem might then arise when endeavouring to transfer that goodwill. An assignment of goodwill that is severed from the associated business is void at common law (*Barnsley Brewery Company Ltd v RBNB* [1997] FSR 462), as is licensing the indicium independently of the underlying business (*Pinto v Badman* (1891) 8 RPC 181 CA). These are common mistakes that are made in commercial property transactions, which might well leave the purchaser with less than they expected.

The trademark system allows for the registration of distinctive marks for particular goods and services. There are two principal ways in which this right is relevant to real property matters.

First, the operator of a shopping mall, for example, can secure registration for the distinctive name of that mall for certain services such as shopping centre services. More formally, these would include "the bringing together for the benefit of others, of a variety of retail outlets, entertainment, restaurant and other services, enabling customers to conveniently view and purchase goods and services and make use of such facilities in a shopping centre or mall" in trademark class 35 (*Land Securities plc's Application* [2009] RPC 5).

Second, for certain iconic buildings it might be possible to register the shape of the building itself as a trademark. In either case, once registered the trademark can be invoked to stop third parties from wrongly associating themselves with the original.

In both cases, this increases the value of the



A multitude of intellectual property issues might arise in everyday commercial property matters

real property as it provides a form of redress against third party competition either by, for example, mimicking the name of the shopping mall or incorporating an image of the iconic structure in advertising, thereby gaining an unfair advantage by association. An example of the latter occurred when a company produced a television advertisement featuring the Wembley Stadium arc in the background. The company received a complaint from the owners of the legendary football ground.

Copyright issues can arise in many different contexts because the reach of copyright is wide and usually vastly underestimated. The simplest instance relates to the literary and artistic copyright that subsists in any promotional material relating to the property, such as sales brochures and the like. While the prose is usually drafted by someone inhouse, the photographs or artists' impressions of the buildings or development are often produced by independent consultants. In such cases, it is necessary to get an assignment (or at least a functioning licence) in order to use that material.

More prosaically, even the technical drawings setting out the drainage plans for an estate attract copyright protection, therefore they cannot be copied by a rival for any planning permission without permission.

Often overlooked are the cards displayed in buildings showing the different evacuation routes for each floor. Copyright subsists in those drawings and the mere possession of them in the course of a business, for instance, renting out the building, requires a licence. Such copyright issues can work both for and against the owner of the building, but in all cases they need to be addressed.

More controversially, the inclusion of a building in a photograph – even if only in the background – might amount to an infringement of the copyright that subsists in the building itself (which is separate from the copyright subsisting in the plans for the building). This can provide a mechanism for securing an additional layer of security or privacy for those who enter and leave the building. This might offer an advantage to the owner of a building if exploited correctly.

Moral rights are those rights of an author of a copyright work that protect, in essence, the author's honour and integrity. So how could such rights be relevant to real property considerations?

Rather surprisingly, they often arise in appropriate circumstances, for example, buildings that contain works of art that form part of the building itself, such as a mural painted onto a wall in a reception area or a statue forming part of the façade. However,



what may once have been considered a cutting-edge work of art might now look tired and misplaced – or the new owners simply don't like it.

The decision to completely remove the work might entail its destruction and, if that occurs, the author's moral right to prevent the mutilation of the work can be invoked either to prevent its destruction or to require compensation.

This can result in the artist being paid on the commission of the work; and then paid again to permit its destruction. Therefore, the potential exposure to future compensation ought to be considered before commissioning an eye-catching installation for the reception or meeting rooms.

Finally, confidential information issues may arise in rare situations. It's not unknown for those in the public eye to wish to retain an air of mystery about their private residence; or ensure privacy around their properties' security arrangements.

It's not uncommon to include a panic room where the occupants can hide if there are intruders. The precise location and layout of it might be discernible from the architects' plans filed in accordance with any planning permission required for the installation of such a room. In certain circumstances it might be possible to prevent the public learning about such details. An example is the veil of secrecy that surrounded the details of the property built by the Barclay twins on the Channel Island of Brecqhou.

These examples illustrate how a multitude of IP issues might arise in everyday commercial property matters. In some cases, the consequences of failing to appreciate the IP implications could be serious. This means it is prudent to use IP rights to advance the client's strategic position. 📍



Controversially, the inclusion of a building in a photograph – even if only in the background – might amount to an infringement of the copyright that subsists in the building itself