

Legal Developments



Commercial/IP/IT – June 2009

Competition Law

OFT looks to ban directors if they breach competition law...

The Office of Fair Trading is looking to take the battle to stop cartel activity into the boardrooms. Businesses which engage in unlawful agreements that have as their object or effect the distortion of competition can face hefty fines of up to 10% of their turnover. In addition, they can be sued for damages. However, the OFT – the authority in charge of enforcing competition law in the UK – is looking for other disincentives to directors who take part in the criminal conduct. It may use powers to disqualify people found guilty from being directors for up to 15 years. Any individuals engaged in breach of competition law may also be sent to jail, but the competition authorities often find it hard to get enough evidence to prove criminal intent, and so there have been few prosecutions against individuals. That would not be a problem with disqualification proceedings, which would require a lesser standard of evidence – meaning that the OFT can bring successful actions against many more people.

ECJ rules that Austrian price-fixing law constitutes an unjustifiable restriction on the free movement of goods ...

The European Court of Justice has ruled that an Austrian law, which permits trade associations to fix the prices of imported German books, constitutes an unjustifiable restriction on the free movement of goods in breach of EU law. Approximately 80% of sales made by the bookseller, Libro, are imported books in German. Fachverband der Buch-und Medienwirtschaft, Austria's price-controlling book and media trade association, sets a minimum price for imported books in German. The Austrian courts backed Fachverband's attempt to stop Libro from advertising books below Fachverband's minimum prices. The ECJ, however, took Libro's side. Whilst the ECJ agreed that countries could make laws which prohibited certain selling arrangements, those laws must apply equally to all traders operating within the territory and affect the marketing of domestic products and those of other Member States in exactly the same way. The ECJ ruled that the Austrian law was to be regarded as a measure having equivalent effect to an import restriction contrary to EU law.

European Commission fines Intel a record-breaking €1.06billion for anti-competitive practices...

After years of investigations, statements of objections and supplemental statements of objections, the European Commission has fined Intel €1.06billion (£948million) for anti-competitive practices – the highest individual fine ever imposed by the Commission. The Commission has found that Intel had engaged in illegal abusive conduct to exclude competitors from the market for central processing unit computer chips (known as CPUs) between 2002 and 2007. CPUs are the main hardware component of a computer, for which Intel is the major global manufacturer. Intel's only real competitor in this market is Advanced Micro Devices which made 12% of CPUs last year compared to Intel's 80.5%. The Commission found evidence that Intel had awarded major computer manufacturers (including Acer, Dell, HP, Lenovo and NEC) rebates on the condition that they purchased all or almost all of their supplies from Intel. It also found that Intel had made payments to the owners of Europe's largest computer retailer, Media Markt, so that it only sold Intel-based PCs. Intel had also paid manufacturers to postpone or cancel the launch of AMD's rival products and restrict sales channels available to these products.

The Competition Commissioner, Neelie Kroes, said: 'Intel has harmed millions of European consumers by deliberately acting to keep competitors out of the market for computer chips for many years'. In determining the gravity of the punishment, the Commission took into account the value of Intel's CPU sales in the European Economic Area and the length of time (five years) that Intel engaged in the illegal practice. The fine represents 4.15% of Intel's total 2008 turnover. To the extent that Intel is continuing to engage in abusive behaviour, it has been ordered to stop immediately. The decision is significant because it highlights the Commission's resolve to crack down on abusive behaviour of dominant companies, especially in the specialist

technology industry. The fine follows on from the hundreds of millions of euros that Microsoft has been fined by the Commission in recent years. Intel has already announced its intention to appeal the decision.

Contracts

Court decides what constitutes 'reasonable notice' in a distribution arrangement - Jackson Distribution v Tum Yeto, High Court...

The High Court has decided on how long the reasonable notice period to terminate a distribution arrangement should be in the absence of a formal written agreement. Jackson Distribution and Tum Yeto had various discussions by email as to the appointment of Jackson as Tum Yeto's sole distributor in the UK and Ireland. Although the parties had intended to enter into a formal written agreement – both parties submitting to the other their own draft – no formal agreement was signed. Tum Yeto sought to terminate the arrangements by supposedly giving six months' notice but, at the same time, alleging it was entitled to terminate without notice as a consequence of a breach of the arrangements by Jackson.

It is well established in law that where a contract does not deal with term or termination rights, it can be terminated by one party giving reasonable notice to the other. What constitutes 'reasonable notice' will depend on the individual circumstances of the case. Ultimately, the courts will make a decision based on a series of factors. The High Court found in this case that, although terms of an agreement can be accepted by conduct, the draft written agreements provided by each of the parties to the other were not binding. The agreement under which the parties were operating was that which was established by the earlier emails. The High Court ruled that there had not been a breach of the contract which entitled Tum Yeto to terminate the contract without notice and that there was an implied term that the agreement could be terminated without cause on reasonable notice.

What was reasonable notice here? Tum Yeto argued that four to six months notice would be adequate whereas Jackson contended that two years was reasonable. The High Court decided that nine months was appropriate in this case based on (amongst others) the following factors: the length of the relationship between the parties; the fact that there was no great degree of formality between the parties; the extent of investment made by Jackson at the beginning of the relationship; the degree of financial dependence of the terminated party on the contract, in particular the percentage of Jackson's turnover made up of Tum Yeto's supplies; and both parties had accepted that Jackson would not sell competing products.

Samantha Lloyd, assistant editor of Upload-IT, comments: 'This case may provide useful guidance on the factors that a court will consider when deciding the length of time which would constitute reasonable notice. However, the real lesson to be learnt from this case by businesses is that they should always agree the specific terms of the agreement, including the all important termination provisions, at the outset rather than relying on the court to imply artificial terms into the arrangements later on when things go wrong.'

Failure to make exclusion clause wording work under English law rather than US law proves costly – KG Bominflot v Petroplus, High Court...

P supplied oil to B under a free on board ('FOB') contract. Clause 18 stated that there were no 'guarantees, warranties or representations' as to the fitness of suitability of the oil beyond the specifications set out in the contract. The oil passed tests before it was shipped. However, once it had reached the destination after a normal voyage, it no longer conformed to the specifications. B claimed that P had breached Section 14 of the Sale of Goods Act in that the goods were not of a satisfactory quality following the voyage and for a reasonable time afterwards.

The High Court said that, except where the contract contains something to the contrary, a term would be implied into FOB contracts that goods would be of a satisfactory quality not just when the goods were delivered onto the vessel but also for a reasonable time afterwards. Goods should also comply with any contractual specification for a reasonable time period. The buyer would expect to receive goods in a particular state in which it could sell them on. In some types of contract, such as a cost and insurance and freight contract, the time to complete the voyage would be the basic measure of what was a reasonable time. In an FOB contract, though, this was not appropriate as the seller does not necessarily know the destination of the goods.

The High Court added that the implied term of Section 14 of the Act was not excluded by Clause 18 because of the poor wording of that Clause. Under English law, there was a difference between 'conditions' and 'warranties'. Section 14 of the Act was a 'condition', but Clause 18 did not exclude 'conditions'.

Paul Gershlick, editor of Upload-IT, comments: 'This can be the danger of using a contract not written with English law in mind. This problem often arises when people use a US-originated contract and substitute the words 'English law' instead of the other US governing law. Unless exclusion clauses are drafted properly to reflect English law requirements, they may not work. That's what one of the parties found out to its cost here.'

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Court of Appeal upholds contractual rate of interest of 15% for late payment – Taiwan Scot v The Masters Golf Company, Court of Appeal...

M bought golf clubs from T, who in turn sourced them from the Far East. M refused to pay some invoices because it said customers were complaining about the quality. M agreed to pay in instalments, but then defaulted. The High Court ordered M to pay the balance but refused to award the contractual interest rate of 15% on the basis of it being an 'unreasonably high rate'. Both parties appealed. The Court of Appeal ruled in T's favour. Interest rates in 2001 were considerably higher than currently and 15% was not exorbitant then. The Court of Appeal added that the High Court was wrong to deny T a contractual rate of interest which had been agreed between two commercial parties.

Copyright and Database Rights

France eventually passes 'three strikes' net piracy law...

The French Parliament has eventually passed a law which could lead to users having their Internet use disconnected for engaging in unauthorised peer-to-peer file-sharing of copyright content. The law has been dubbed the 'three strikes law' because it will entail two initial warning letters being sent to infringers, followed by a third letter telling them that their Internet connection is going to be suspended for a year. This follows a recent attempt by the French to pass the law before that attempt failed. The new law has been backed by the entertainment business, which has lost a lot of money from illegal peer-to-peer file-sharing. However, some consumer groups have warned that innocent people using the Internet lawfully may suffer if their Internet connection is used by hackers.

European Commission outlines plans to have single copyright licensing law across the EU...

The European Commission has outlined plans to create a harmonised copyright law that would enable copyright to be licensed across the European Union on standard licensing terms. The Commission said it wants to ensure that consumers in any EU country can obtain music, games, films, books and other digital content from any other country through multi-territorial licensing regimes. However, as things currently stand, each country has its own copyright laws, which have not been harmonised. Many retailers have therefore restricted online sales to their own country because of fears of breaking other countries' laws. Viviane Reding, the Information Society and Media Commissioner, said that online consumer rights in the EU should not depend on where a company or a web site is based. National borders should not get in the way when consumers want to download a book or order a song.

Computer Programs Directive updated...

A new Directive on Computer Programs has come into force. It replaces Directive 91/250/EEC from 1991 on the legal protection of computer programs. The 1991 Directive gave protection to computer programs under copyright law, whilst also allowing lawful users the right to take necessary back-ups and reverse engineer where necessary for the purposes of interoperability. The 2009 Directive, which is numbered as 2009/24/EC, is merely a tidying up exercise and does not substantively affect the current position.

Cybercrime/Security

50% increase in number of 'zombie' computers detected...

A 50% increase in the number of so-called 'zombie' computers has been reported by security company McAfee since 2008. A zombie computer is one which has been hijacked by cybercriminals and used as part of a botnet. 'Botnets' are networks of hijacked machines that are used to send large amounts of spam (or unsolicited) emails, orchestrated denial of service attacks, viruses or for other cybercriminal activity. Most owners of computers that form part of botnets are oblivious to that fact. McAfee has detected 12 million newly hijacked computers since January. Worryingly, the true number is likely to be much higher than those detected by McAfee alone. McAfee also reported that the US now hosted 18% of infected computers – the highest percentage in the world – with China following a close second with just over 13%. McAfee's figures coincide with a report published by Deloitte which has recommended a global approach to cybersecurity.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

eBay fraudster to pay over £100,000 in compensation or face an extra 12 months behind bars...

eBay fraudster Jonathan Hartley has been ordered to pay £102,000 in compensation to his victims or face an extra 12 months in jail. Hartley, who was jailed for 18 months last year for fraud, made over £140,000 by selling defective electronic goods through eBay. He was finally tracked down by police in Lancashire after a nine month investigation. It is hoped that this case will send out a clear message to other scammers that they will be caught and stripped of their gains. Buyers are encouraged by eBay to use a PayPal account to help protect them from losing money to fraudsters like Hartley.

Data Protection/Privacy/Confidentiality

Data Protection Directive will not suffice in the long term says ICO report...

A report published by the Information Commissioner's Office has concluded that the Data Protection Directive will not suffice in the long term. The report is based on a review commissioned by the ICO of the strengths and weaknesses of EU data protection law. The ICO argues that the Directive (implemented into UK law by the Data Protection Act 1998) is often seen as burdensome and too prescriptive in practice and may not sufficiently address the risks to individuals' personal information. The report noted that the fair information and notification procedures under the Directive are inconsistent and ineffective and that the rules on data export and transfer to third countries are outmoded and cumbersome.

Amongst the recommendations, the report suggests that Member States should seek agreement on the efficient interpretation, implementation and enforcement of the Directive to encourage the use of a risk-based approach that focuses on processing where harm can reasonably be expected. The ICO would like data protection authorities to be encouraged to develop clear guidelines on the way in which data controllers communicate privacy notices. The ICO also recommends that the European Commission should improve the rules governing a transfer of personal data outside of the European Economic Area. The report's suggestions, to move to a more risk-based system, are likely to be well received by both commercial data controllers and privacy groups. However, some of the recommendations may be seen by privacy groups as an attempt to water down existing data protection law, in particular in relation to accountability and transparency, as they encourage greater use of guidelines and memorandums rather than formal legislation.

To date, the European Commission has resisted a wholesale review of the European data protection regime. In recent years, however, there have been calls from Member States for a review to bring the Directive up to speed with technological development and changes to the concepts of privacy.

High Court refuses to allow Data Protection Act to be used where other legal claims fail – Quinton v Peirce, High Court...

The High Court has ruled that the Data Protection Act 1998 must not be used as a substitute cause of action just because another underlying action for defamation or malicious falsehood fails. In this particular case, Christopher Quinton, a Conservative council candidate sued a Liberal Democrat councillor (Robin Peirce) surrounding claims made in Peirce's election leaflets. Quinton's claims that the leaflets were defamatory and constituted injurious falsehood failed, so he argued that they breached his privacy rights under the Act. He said that Peirce had a duty under the Act to make sure that the facts about Quinton were fair and accurate.

The High Court decided that although the information was covered by the Act, there had not been any infringement of the requirements for fairness and accuracy under the Act. The standard for 'accuracy' should not be any stricter than under the injurious falsehood claim, and it would be absurd if the 'fairness' requirement meant that Peirce had to notify his election rivals in advance of using their names on his election leaflets. The judge was particularly against using the Act to provide a set of parallel remedies when damaging information is published that is neither defamatory nor malicious.

Yet another serious data loss – this time it's over 100,000 people's pensions records...

The Pensions Trust – which runs pensions for charities and voluntary organisations – has reported the loss of personal data concerning 109,000 charity workers, following the theft of an unencrypted laptop from NorthgateArinso, its software suppliers. The data included names, addresses, dates of birth, employment details, national insurance numbers, salary details and bank account information – basically, enough to enable criminals to undertake identity theft. The Information Commissioner's Office – the UK's data protection regulator – said it was taking the theft very seriously and was liaising with The Pensions Trust to find out how this breach occurred and what steps would be taken to ensure it did not happen again. Other high-scale data losses include HMRC's loss of 25 million people's records, the MoD's loss of data about its 100,000 personnel, and the 100,000 members for the Network Rail and British Transport Police pension schemes.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Information Commissioner reads the riot act to NHS over ‘inexcusable’ data losses...

The Information Commissioner’s Office – the regulator in charge of enforcing data protection laws in the UK – has ordered the NHS to tighten up security. The NHS reported 140 separate data breaches in the first four months of 2009 – more than the rest of central and local government put together. The ICO has called for the NHS immediately to improve the situation and it has described the data losses as ‘inexcusable’ and of ‘great concern’. The breaches included one case when a memory stick containing the medical details of 6,000 prisoners was lost with a note attached to the memory stick with the password.

Recommendations on RFID technology published by European Commission...

Recommendations on the implementation of privacy and data protection principles in applications supported by radio-frequency identification (‘RFID’) have been published by the European Commission. A radio-frequency identification tag sends radio signals when it is near to a receiver, in order to detect the object on which the RFID chip resides. RFID technology can be used to help retailers manage stock, and also to allow people into secure buildings. However, they can potentially cause privacy concerns if they also monitor the movements of people carrying the object which has the RFID chip on it. As reported in last month’s Upload-IT, the Commission is concerned to see that EU citizens’ movements are not monitored - at least not without their clear knowledge or with the option to switch the device off at any time.

Amongst the recommendations, the Commission advises that organisations using RFID technology should:

- ◆ Carry out privacy and data protection impact assessments before using RFID applications.
- ◆ Develop and publish a concise, accurate and easily understandable information policy for each of their RFID applications.
- ◆ Inform individuals of the presence of RFID readers and tags using a common European sign (yet to be developed).

In addition, the Commission recommends that retailers operating RFID deactivate or remove RFID tags at the point of sale unless consent of the customer has been obtained or the impact assessment concludes that the tags do not pose a potential threat to privacy or protection of personal data. The Commission’s recommendations are not legally binding so it remains to be seen what steps Member States will actually take in light of this publication.

Mere taking of police photographs infringed privacy rights in light of surrounding circumstances – Wood v Commission of Police for the Metropolis, Court of Appeal...

Wood co-ordinated a campaign against Reed Elsevier because of the company’s involvement with running trade fairs for the arms industry. Wood and others bought shares in the company and attended its Annual General Meeting. The police monitored enough activity to raise suspicions, although there was no trouble at the AGM. The police subsequently took several photos of Wood in the street and tried unsuccessfully to obtain his identity. The police later identified Wood using their photos. Wood claimed that the police had violated his rights to privacy under Article 8 of the European Convention of Human Rights (which has been brought into English law by the Human Rights Act 1998). The High Court dismissed his claim. It had said that the mere taking of photographs did not infringe his privacy rights.

The Court of Appeal has now ruled in Wood’s favour. For Article 8 to apply, there had to be a ‘certain level of seriousness’, a ‘reasonable expectation of privacy’ and the intrusion must not be justified. The Court of Appeal agreed that there is no automatic privacy right and photos could be taken in many circumstances, unless there are some special aggravating circumstances. Even the fact that several photos were taken and Wood was followed down the street was not enough to mean that his Article 8 right was engaged. However, the police’s actions as a whole were a problem because they had not given an explanation to Wood at the time and the implication was that the images would be retained and used, which would amount to an intrusion by the State into someone’s personal space. That intrusion was sufficiently serious here.

The Court of Appeal said that the police’s actions may have been justifiable under Article 8(2) as they were ‘for the prevention of disorder or crime’, but in the circumstances they were not proportionate. Wood had committed no offence and was not even suspected of having committed one. The justification for interfering with someone’s privacy rights needed to be more compelling where the concern was possible low-level crime (as in here) compared with something more serious (such as protecting the public against terrorism threats). There might have been justification in retaining the photos beyond a few days if the police were concerned that Wood may commit an offence at the next trade fair, but since he had not committed any offence at the AGM, the retention had no justification.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Court refuses to stop intrusive press reporting in paternity case already widely available on the Internet - East Sussex County Council, Maisie Stedman, Chantelle Stedman and Alfie Patten, High Court...

This case concerned four children: Chantelle (aged 15); Chantelle's daughter was Maisie (2 months); Alfie (aged 13) was alleged to be Maisie's father, but DNA tests later proved this was not the case; and Tyler (aged 14) was suspected to be the father and was going to undergo DNA tests. The relationships had been the subject of widespread reporting and media interest because of the ages involved and the issue of teenage parenting. East Sussex County Council successfully made the children wards of court and obtained an order for reporting restrictions. As the plot thickened and the children were subjected to further distress through the reporting, the Council obtained an order to prohibit publication of the DNA test results and pictures and images that were not in the public domain. The Council then sought further amendments to the order to prevent any photos or images or DNA test results being published regardless of whether they were in the public domain.

The High Court refused the application to amend the order. The Article 8 rights to privacy under the Human Rights Act of the people involved were all engaged, but so were the Article 10 rights of freedom of expression of Alfie and the press. The Court had to balance the competing interests. The justifications for interfering with each right had to be considered and the test of proportionality had to be applied. There were lots of arguments put forward in support of each, but the deciding factor was that millions of people had seen and read about the children and the material had been in the public domain for so long. Even though a large number of hurtful articles were still available on the Internet, the courts should not make an order which would appear to the public to be ludicrous or absurd and unenforceable. Despite the continuing harm to the children, it would be a disproportionate interference with the press's Article 10 rights to prevent further publication of the photographs and images and DNA tests already in the public domain.

Net closes around mosquito product consultant's use of information in breach of confidence – Vestergaard Frandsen v Bestnet Europe, High Court...

Vestergaard developed a mosquito net. Two employees left to set up their own company, Bestnet. Bestnet developed a rival product. Vestergaard engaged Dr Skovmand as a consultant, but he defected to join Bestnet. There was no written consultancy agreement between Vestergaard and Skovmand, but Vestergaard alleged that Bestnet was not entitled to use information supplied by Skovmand.

The High Court agreed with Vestergaard. Although there had been no written agreement, Skovmand had breached an express term of the oral contract that he had had with Vestergaard to the effect that the consultant would keep information arising out of his work for them confidential. Even if there had been no express term, though, it was an implied term of the contract that he would keep the information confidential. Once Skovmand had stopped working for Vestergaard, the scope of the obligation of confidence only extended as far as 'trade secrets'. This approach for consultants was analogous to the position of employees. After the relationship had terminated, the consultant could use information forming part of his own skill, knowledge and experience - whether for his own benefit or for third parties - even if it was learnt during the course of the relationship. The information used by Skovmand here - technical details kept in a database - had amounted to Vestergaard's trade secrets.

The judge said that the following factors would help to decide whether any particular information amounted to a trade secret:

- ◆ The nature of the work - here, the consultant was engaged in a role likely to produce inventions.
- ◆ The nature of the information - experiment results should be protected as trade secrets, just as are formulae and manufacturing processes.
- ◆ Engager's attitude - Vestergaard regarded the information as confidential.
- ◆ Steps taken to protect the information - Vestergaard took lots of steps to protect the information.
- ◆ Separability of the information - the information could be separated from Skovmand's general skill and knowledge.
- ◆ Commercial value of the information - the information was clearly regarded as commercially valuable here.
- ◆ Usage and practices of the trade - little evidence was available on this factor in this particular case.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Organisations should guard against disclosing employee and customer information to ‘blaggers’ says ICO...

The Information Commissioner’s Office – the regulator in charge of enforcing data protection laws in the UK - has warned organisations to be aware of individuals attempting to obtain information from organisations illegally by ‘blagging’. This practice of deception is part of an illegal trade in personal information which was highlighted in the Information Commissioner’s 2006 report ‘What Price Privacy?’. The ICO has made the warning in guidance to assist organisations in deciding whether or not to disclose information about their employees or customers when requested by private investigators. Data protection legislation generally restricts disclosing personal information to third parties unless a specific exemption applies. The ICO guidance is intended to cover the situation where organisations are approached by private investigators hired to trace people such as debtors, missing friends or relatives or beneficiaries of wills.

According to the guidance, information may be provided to private investigators if it is fair and lawful and not incompatible with the purposes that the information was collected for. Data protection legislation already requires organisations to tell individuals the purpose for which their data is collected and how it will be used but organisations are unlikely to tell people that they may pass on the data to lenders seeking to enforce a debt against them! Despite the fact that the disclosure may be unfair because the individual has not been informed of the proposed use, a disclosure may be made where an overriding duty of confidence does not exist and the purpose that the information will be used in the interests of the individual and will not prejudice them in any way. An example given by the ICO is where a former employer discloses to a private investigator the last known address of a former employee who has been left money in a will of a relative. Information may also be disclosed to private investigators if an exemption under the Data Protection Act applies, such as it is necessary for prospective or existing legal proceedings, or for the prevention or detection of crime. Where an organisation does disclose an individual’s personal information, it should subsequently inform the individual that it has done so unless this is prohibited by law.

Practical tips on good practice are also given, such as always ask for the request in writing, verify the identity of the requestor, do not request more information than required to make a decision, inform the individual of information disclosed, record each decision you make and your reasons for reaching that decision. If in doubt, an organisation may withhold any information requested by an investigator unless and until a court orders them to disclose it.

A copy of the ICO’s Data Protection Good Practice Note ‘When can I disclose information to a private investigator?’ can be found by clicking on the following link:

http://www.ico.gov.uk/upload/documents/library/data_protection/practical_application/disclosures_to_private_investigators_v1.0.pdf.

Domain Names

WIPO allows top English football clubs to bring group action in domain name dispute...

The World Intellectual Property Organisation has allowed a group of top English football clubs to band together and bring a claim under WIPO’s domain name arbitration service. Liverpool, Manchester United, Fulham, Tottenham Hotspur and West Ham made a claim under WIPO’s Uniform Domain Name Dispute Resolution Policy (‘UDRP’) in respect of domain names which led to a web site selling tickets to football matches. Domains By Proxy Inc had registered addresses which included the names of the clubs, such as official-liverpool-tickets.com or official-westham-tickets.com. The UDRP panel was required to consider the circumstances in which it may be appropriate to permit a consolidated complaint involving multiple complainants and multiple domain names against a single domain name registrant.

The panel found that whilst WIPO’s rules do not mention multiple claimants, they do not prohibit them. It then looked to an Australian case for guidance on the test to be applied to determine the circumstances in which multiple claimants should be allowed. The consolidation of multiple complaints should be permitted where: (i) the complainants have a common grievance; and (ii) it would be equitable and procedurally efficient to permit the consolidation of complaints. To establish a common grievance, the complainants must either: (a) have a common legal interest in the trade mark rights on which the complaint is based; or (b) be the target of common conduct by the domain name registrant which has clearly affected their individual legal interests in a similar fashion.

Whilst the football clubs did not have a common legal interest (because they did not share any interest in one particular trade mark and were not part of the same corporate group), they were targets of common conduct by Domains By Proxy Inc. This was evidenced by a number of factors, including: the disputed domains contained identical generic terms of ‘official’ and ‘tickets’; they had all been registered on the same day pointing to a clear pattern of registration; and they all linked to an identical web site selling unauthorised tickets. In the circumstances, the panel said it was efficient to allow a group action because the cases were identical, the arguments were the same and a single representative had been appointed by the clubs.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Gambling

Controversial house competition proceeds, while Gambling Commission remains tight-lipped on house draws generally...

The Wilshaws' competition - in which they sold 46,000 tickets at £25 each for the opportunity to win their house that they could not sell in the recession - is now proceeding towards the draw. This follows weeks of uncertainty after an investigation by the Gambling Commission, the gambling regulator. Under the Gambling Act 2005, it is legal to operate a free prize draw or a genuine competition but not an illegal lottery. A competition is an illegal lottery if it does not involve sufficient skill, judgement or knowledge to deter a significant proportion of potential entrants from participating or it does not eliminate a significant proportion of those who do enter. There was speculation that the Wilshaws' scheme had been referred to the Commission because of concerns over whether their question - the answer to which could be readily found by searching on an Internet search engine - was sufficiently tough.

The Commission has issued a statement on house competitions, in which it said that the lawfulness of each competition should be assessed on its own merits. It added that one case would not set a precedent for the others. The Commission claimed that it does not in any circumstances give approval to any particular house competition. Last October, it warned that all homeowners organising competitions like this risked being prosecuted if they were illegal lotteries. The Commission said it has written to 50 organisers of house competitions and the majority seem to have difficulty showing that their competition is legal.

IT and Internet Use

Three-year-old 'wins' £7,600 digger in online auction as parents slept...

A three-year-old girl made the top bid of 20,000 New Zealand dollars (about £7,600) on a full-size excavating digger on an online auction site - unbeknown to her parents who were sound asleep at the time! Pipi Quinlan found the bookmarked page on the family computer after waking up early at her home in New Zealand. It took just a few clicks of the mouse for Pipi to secure the purchase of the Kobelco digger. Her mother, Sarah Quinlan, only discovered her daughter's 'win' when she received a congratulatory email from the auction site 'TradeMe'. Ms Quinlan said she had assumed she had won a Lego toy set she had been looking for, and 'it wasn't until I went back and re-read the emails that I saw \$20,000 and got the shock of my life'. Whilst the seller did not see the funny side when informed of the mistake, TradeMe has since reimbursed the seller's costs and the digger has now been sold to an adult.

Web sites retaining photos after users had 'deleted' them...

Web sites are keeping photos even after users think that they have deleted them. Those are the findings of Cambridge University researchers, which put photos on 16 popular sites and found them still there a month later on seven of them. The researchers said that the photos may not have still appeared to be there as the link was missing, but you could see the photos if you typed in the relevant direct uniform resource locator (or 'URL') address.

A quarter still not shopping online because of security concerns...

23% of UK consumers are refusing to shop online because of continued fears over security. Of those who do shop online, 46% still cited security as their major concern. Those are the results of a survey of 2,000 UK consumers by the Office of Fair Trading. However, the penetration testing team at the NCC Group claims that people should be more concerned about having their personal data stolen from using social networking sites rather than having their payment card details taken when shopping, because of security standards that many Internet retailers now comply with.

Seven million UK Internet users engage in illegal file-sharing...

Seven million Internet users in the UK engage in illegal file-sharing of films, music and software. Those are the findings of research commissioned by The Strategic Advisory Board for Intellectual Property. SABIP said confusion over copyright law, including format-shifting, has contributed to the problem. SABIP said that this is costing the economy tens of billions of pounds a year. Meanwhile, an alliance of nine UK bodies representing creative industries has said that over half of UK Internet traffic was illegal.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Jurisdiction

Draft Regulations implementing European Services Directive published...

Draft Regulations implementing the European Services Directive have been published by the Government. The Services Directive aims to simplify administrative procedures in Member States to facilitate service activities across borders. It is hoped that the freedom of establishment and freedom to provide cross-border services will benefit both service providers and recipients. The draft Regulations do what is required to implement the Services Directive into UK law. This includes setting out sectors which are excluded from the Regulations; and prohibiting the introduction of requirements on recipients that restrict their use of a service obtained from a service provider established in another Member State. It is intended that the draft Regulations will be laid before Parliament this summer to meet the implementation deadline of 28 December 2009.

Misleading Advertising

CAP and BCAP consult on reforms to advertising codes of practice...

The Committee of Advertising Practice (which regulates the British Code of Advertising, Sales Promotion and Direct Marketing, the code of practice for non-broadcast advertising) and the Broadcast Committee of Advertising Practice (the body responsible for the Television and Radio Advertising Codes) are consulting on changing their respective codes of practice. CAP and BCAP have each conducted an 18-month review of their codes and they are proposing reforms to simplify them. The consultations are proposing reforms in four main areas: protecting children; social responsibility; health; and consumer protection. The revised codes are expected to be introduced in 2010.

ASA says data aggregation sites must update their records every day and show sustained trend if they want to make statements about other rival sites...

Data aggregating web sites must update their data every day if they want to make statements about the superior data that they use in their comparisons. Those were the findings of the Advertising Standards Authority in a ruling against the web site Gocompare.com, which had claimed that it compared more car insurance suppliers than anyone else. Moneysupermarket.com, a rival comparison web site, complained about that statement. The ASA upheld the complaint. Although Gocompare checked its marketing claims every three months, the ASA said this was nowhere near enough in the fast-moving world of price comparison web sites – instead, the web site should have kept daily records and it would have had to show that its statement was still true each month on average for a sustained period of time. The ASA concluded that the advert breached the CAP Code and ordered Gocompare to produce daily comparison figures with screenshots if it wanted to make the same claim in the future. Although the Code does not have legal force, it is best practice to comply with it, as failure to do so can result in bad publicity and ultimately an inability to obtain advertising space.

Email reporting Natasha Richardson death in order to sell ski helmets was insensitive and likely to cause serious offence...

The Advertising Standards Authority has found that an email reporting the death of British actress Natasha Richardson which included an advertisement for ski helmets was likely to be seen as insensitive and cause serious offence to recipients. An email for Skiwear4less.com was sent on the day that the actress died informing recipients of the tragic news and the circumstances surrounding her death. It stated: 'The actress fell and hit her head during a supervised ski lesson on a nursery slope. She was not wearing a helmet at the time.' The advert included a quote from Ms Richardson's husband's publicist and a picture of the actress. The email went on to say that the company recommended the wearing of ski helmets in light of this and other tragedies and to encourage their use the company had reduced their prices and was offering free postage. The email included a link to their range of ski helmets and pictures of a number of helmets with prices.

The ASA received two complaints from recipients of the email on the basis that it had used the recent death of Ms Richardson to sell the advertisers ski helmets. The ASA acknowledged that advertisers were entitled to refer to current news stories in their adverts but noted the need to take particular care when using those stories to avoid accusations of exploitation in order to sell goods, especially when the story involved a death. The ASA concluded that, given the likelihood of serious offence being caused, the email breached the CAP Code. The ASA ordered the advertiser to stop the advert from running again in its current form. The CAP Code is a code of practice governing the content of adverts and marketing communications. Although the Code does not have legal force, it is best practice to comply with it, as failure to do so can result in bad publicity and ultimately an inability to obtain advertising space.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

ASA bans 'Shifty' email...

The Advertising Standards Authority has banned Metrodome Group plc from sending an email advertisement promoting the film 'Shifty' which purported to be from a government body conducting a drugs investigation into the recipient. The complainant was sent the email after a friend had visited the web site for the film, where consumers were given the option to 'Stitch up a mate'. The consumer was asked to enter a friend's email address to which an email was sent from the address communitydrugsteam@ukgov.org.uk with the subject 'CRIMINAL INVESTIGATION' followed by a reference number which included the recipient's name. In the body of the email the recipient was told that a suspect, arrested for possession of class A drugs, had given their name as a regular drug user and that they were at risk of prosecution if they failed to submit to drugs testing. The email was signed on behalf of the 'London Community Drugs Team'. A web site address was given to arrange a time to participate in the drugs testing scheme or appeal against the notice. When a recipient clicked on the link to the address they were directed to a web site for the film which stated: 'You have just been stitched up by your friend. If you can't spot a shifty email when you see one...To stitch up your own friend click here'.

The complainant had received the email to his work address and was concerned that the email could be a threat to his employment. The ASA upheld the complaint. It found that the advert's claims, that the recipient was involved in illegal drugs, was at risk of criminal prosecution and the implication that the email had been sent by an official body, were irresponsible and could cause serious distress. The ASA also considered that the email was misleading as it tricked recipients into believing that the email was a communication from a government body, and there was also nothing in the email that identified it as marketing material. In addition, the ASA found the approach used by the advertisers breached the database rules because recipients had not given consent to receive marketing material by email. Metrodome was told that the advert must not appear again in its current form. The ASA also told Metrodome that in the future it must make clear that its adverts were marketing material and ensure that it obtained the explicit consent of the recipient to receive marketing material by email.

Patents

IP Office introduces accelerated process for 'green' patent applications...

The UK Intellectual Property Office has announced a package of measures to enable inventions for 'green' or environmentally-friendly technology to proceed through to registration quicker than other patent applications. The so-called 'Green Channel' will allow for an accelerated service for combined search and examination (rather than having their patent examined some time after the search), accelerated search and examination, and early publication (which can be six weeks from date of request instead of 18 months after the filing date). The changed rules apply to existing applications.

Software patent for remote programming of mobile phones approved by the UK IP Office...

A patent for software that allows remote programming of mobile phones has been approved by the UK Intellectual Property Office. The software, now owned by Nokia, enables a computer to control a mobile phone while software is being developed. The IPO made the ruling after finding that the invention was more than just a software program. The US allows software to be patented, but under UK patent legislation an invention cannot be patented if it consists only of a program for a computer unless the invention has a technical effect. The IPO found that in this particular case, as the software overcomes technical problems arising out of existing methods in the field, the invention made a 'technical contribution'. The invention also satisfied the other criteria for patents such as being novel and making an inventive step.

Trade Marks and Passing Off

eBay not liable for trade mark infringement of its users, but use in sponsored links needs a further ruling – L'Oréal v eBay, High Court...

eBay has survived the latest skirmish relating to whether it is responsible for unlawful actions of its users. L'Oréal showed evidence to the High Court that out of 287 test purchases it had made on eBay involving its brand, only 84 products were legitimately intended for sale within the European Economic Area. The others were either counterfeit or had not yet been put on sale in the EEA with L'Oréal's consent. L'Oréal argued that the Internet auction giant should be responsible for the actions of the users. eBay countered that it had a scheme called VeRO (Verified Rights Owner) designed to help brand owners police infringement of their trade marks, but L'Oréal did not participate in that scheme because it objected to having the onus of policing its brand. Its view was that eBay had made a lot of money on the back of unlawful use by users and so it should be eBay rather than the brand owners who should be responsible.

The High Court had some sympathy with L'Oréal's arguments, but it said that English case showed that eBay could not be liable for merely being aware that the majority of users would act unlawfully. Mere knowledge of infringement of intellectual property

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

rights does not make the supply of the relevant goods or service unlawful. The Court referred to the leading case of *CBS v Amstrad* in 1988 in which the House of Lords ruled that Amstrad's provision of a double-decker tape recorder was not unlawful even though it knew that the majority of people would be likely to use the machines for copyright infringement.

eBay did not have it all its own way, however. The judge did suggest that eBay could do more to stop infringing sales, though, with better filtering, obtaining more information about sellers' identities, taking measures to restrict high risk goods (such as perfumes) and taking tougher action on infringing users. In addition, the High Court agreed to ask the European Court of Justice to rule on whether eBay's use of L'Oréal's brand in sponsored links to direct users to listings for infringing goods on its site constituted trade mark infringement and, if so, whether eBay had a defence under the E-Commerce Directive for acting as a mere host without actual knowledge of the infringing activity.

Meanwhile, eBay has won another case in France against L'Oréal. The French court said that eBay had done all it could to stop counterfeit sales. The French court did order both companies to work together more to stop the problem occurring. In the last couple of years, eBay has fought several cases in different countries. It won against L'Oréal in Belgium and against Tiffany in the US, but lost a couple of other cases in France including being ordered to pay €39 million to LVMH.

Not all in the garden is rosy, as M&S vs Interflora spat leads to further reference to European Court of Justice over sponsored keywords – *Interflora v Marks & Spencer*, High Court...

Interflora sued Marks & Spencer for M&S's use of Interflora's registered trade marks in sponsored keywords with Google's AdWords service. Keyword advertising is an important advertising medium for businesses and a major source of revenue for search engines. Businesses bid for the right for their advertisements to be displayed in connection with particular search terms – these are then shown as 'sponsored links' when a user is shown search results. Interflora argued that M&S's use of its trade marks had meant that the cost of sponsoring its own brand had risen from two pence per click before Valentine's Day in 2008 to 23-28 pence per click in the same period one year later. The florist also argued that it had lost sales and M&S was gaining at its expense. M&S denied that there was any likelihood of confusion by the public, the acts would affect the distinctiveness of Interflora's trade marks and it was free-riding on the back of Interflora's goodwill.

The High Court decided to stay the proceedings. The issue of keyword advertising was a hot topic and there had been six references pending to the European Court of Justice to resolve the issue. However, the questions in those other cases had all been directed at Google's system of keyword advertising, rather than the advertiser's use of a rival's mark. The judge asked the parties to decide on the terms of the questions to be raised with the ECJ. For more on other recent keyword cases, please click here: <http://www.upload-it.com/editArticle.aspx?ID=3106> and <http://www.upload-it.com/editArticle.aspx?ID=2718>.

Changes to Google's AdWords policy may lead to further trade mark disputes...

Google has taken some bold steps to boost its advertising revenues which may land it in hot water. Google has already been at the centre of a number of cases around the world surrounding use of trade marks in keyword advertising. Google is currently in process of fighting several battles in the EU as can be seen here: <http://www.upload-it.com/editArticle.aspx?ID=3106> and <http://www.upload-it.com/editArticle.aspx?ID=2718>. Keyword advertising is an important advertising medium for businesses and a major source of revenue for search engines. Under Google's AdWords scheme, businesses bid for the right for their advertisements to be displayed in connection with particular search terms – these are then shown as 'sponsored links' when a user is shown search results. Google has different policies in different jurisdictions when it comes to sponsoring trade marks.

In most countries in the EU and, until now, most other countries around the world, Google would remove a sponsored link if a trade mark owner could show that its trade mark was being used. There was a less strict policy in the US, Canada, UK and Ireland whereby Google would not interfere with sponsored ads as long as the trade mark was not used in the actual wording of the displayed advert. Allowing third parties to sponsor trade marked terms raises more money for Google, so it has now extended that less strict policy to 190 other countries (but still not in most EU countries). Meanwhile, the search engine giant has gone even further in the US and said that it would not interfere there any more even if the trade mark was included in the wording of the actual ad. Google is already facing a number of legal actions but it seems to be taking a more carefree approach with the aim of maximising profits. Meanwhile, a US company, Firepond, is looking to start a class action lawsuit against Google in the US for its previous US policy, even before the less strict arrangements.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050

Nasdaq name not registrable because it would take unfair advantage of the more famous use of the brand – Antartica v OHIM, European Court of Justice...

A applied to register a figurative sign containing the word 'NASDAQ' as a European Community Trade Mark for sports clothing. N opposed the application on the basis of its prior CTM registration related to its operation of the US securities exchange. N's opposition was granted. A appealed, but the European Court of Justice sided with the financial giant. The ECJ said that the registration would take unfair advantage of N's famous brand. N would suffer damage if A's average customer made a link to N even if they were not confused. The 'NASDAQ' mark was inherently very distinctive and its reputation stretched far beyond customers in the financial services industry.

Paul Gershlick, editor of Upload-IT, comments: 'When it comes to building up brand protection, this case shows the importance of having a very distinctive trade mark which has a reputation well beyond one particular industry.'

If you would like further information on any of the items in this month's newsletter or anything else related to Commercial/IP/IT issues, please contact:

Paul Gershlick
Associate
For and on behalf of Matthew Arnold & Baldwin LLP
The Corporate Commercial Group
Commercial/IP/IT Team

Direct tel: +44 (0)1923 208816
Commercial/IP/IT fax: +44 (0)1923 215004
E-mail: paul.gershlick@mablaw.co.uk

Matthew Arnold & Baldwin LLP
85 Fleet Street, London EC4Y 1AE
401 Grafton Gate, Milton Keynes MK9 1AQ
21 Station Road, Watford WD17 1HT

© MAB LLP 2009 All rights reserved.

This document is intended for general guidance only. It is not intended to be a substitute for legal advice. If you would like advice specific to your circumstances, please contact us.

London: 85 Fleet Street,
London, EC4Y 1AE **Tel:** 020 7936 4600
Fax: 020 7842 3300

Milton Keynes: 401 Grafton Gate,
Milton Keynes, MK9 1AQ **Tel:** 01908 687880
Fax: 01908 687881

Watford: 21 Station Road,
Watford, WD17 1HT **Tel:** 01923 202020
Fax: 01923 215050