

# UPLOAD-IT - 1 APRIL 2008

## CONTRACTS

- ***Contractual discretion is limited, but (unless something different in the contract) there is still great freedom to exercise that discretion -***

### ***Socimer International Bank v Standard Bank, Court of Appeal...***

The parties entered into a forward sale agreement. There was a clause stating: 'The value of any [assets] liquidated or retained and any losses, expenses or costs arising out of the termination or the sale of the [assets] shall be determined on the date of termination by seller.' The buyer defaulted and the seller liquidated and retained, but the seller did not carry out a valuation. Instead, it simply sold what it could over a period of years and gave the buyer some credit every now and then. The buyer claimed that a term should have been implied into the contract requiring the seller to take reasonable care to find the true market value. The High Court sided with the buyer.

On appeal, however, the Court of Appeal decided in favour of the seller. The term suggested by the buyer was not necessary to give the contract business efficacy (which is the legal rule for when a term could be implied into a contract). It was not so obvious that it went 'without saying'. The Court of Appeal did reiterate from previous case law that discretion in contracts would be subject – as a matter of necessary implication – to a duty to act in good faith, honestly and genuinely and not exercise the discretion arbitrarily, capriciously, perversely or irrationally. That was because the discretion should not be abused. However – unless the contract had express terms along these lines – there was no need to imply a term to take reasonable care to find the right valuation. There was no need to find the objective valuation, but just not to act unreasonably.

- ***Court of Appeal rejects evidence of prior negotiations when interpreting a contract –***

### ***Chartbrook v Persimmon Homes, Court of Appeal...***

Chartbrook claimed that Persimmon owed it £4.6 million under a development contract as an 'Additional Residential Payment' (ARP), which was an expressly defined term in the development agreement. Persimmon claimed that the amount payable under the contract was really just £900,000 and most of this had been paid already. Persimmon wanted to bring evidence of the parties' pre-contract negotiations to support its claim as to the real intended meaning of the term. Persimmon argued that when the parties are in agreement over the meaning of a term during the negotiations then they should be allowed to use evidence of the negotiations to prove this in construing the contract. This is the so-called 'private dictionary principle'.

The judge in the High Court decided that the private dictionary principle did not extend to a case in which the word, phrase, clause or term is expressly defined in the contract. For more information on the reasoning of the High Court, please click here: <http://www.upload-it.com/editArticle.aspx?ID=1898>.

The Court of Appeal affirmed the decision of the High Court and dismissed Persimmon's appeal in its entirety. The Court of Appeal found that the words used to define the ARP in the agreement were clear, certain and unambiguous. In this case, the term in dispute had been defined and therefore the private dictionary exemption did not apply. The exemption was designed to assist parties where a word or phrase

had not been defined. Despite the pre-contract material being in favour of Persimmon's construction, it was not admissible as this was not a case in which it was legitimate to have recourse to the pre-contract negotiations.

Samantha Lloyd, assistant editor of Upload-IT, comments: 'This case confirms that there are very few circumstances in which a court will admit evidence of pre-contract negotiations to assist in the construction of contracts and highlights the importance of ensuring that contracts are drafted clearly to accurately reflect the agreement negotiated between the parties.'

- ***Software licence agreements fail to provide clear and comprehensive information, says consumer body...***

Most software end user licence agreements ('EULAs') fail to provide clear and comprehensive information explaining to users that they are required to accept a licence agreement if they want to install the software. Those were the findings of a survey of 25 EULAs carried out by the National Consumer Council ('NCC'), the consumer research and policy group. Other key findings included use by licensors of:

- complex wording and legal jargon;
- formats that made licence agreements difficult to read;
- frequent references to legislation in other countries;
- immediate contract termination rights for the provider;
- the right to remove services without notice; and
- excessive exclusion of liability.

Among the key proposals set out in the NCC's report are recommendations that providers should supply information about the licence as well as the terms of the agreement prior to purchase and that they should ensure that licence agreements are written in plain English and presented in a clear and accessible format. Rather than waiting for regulators (such as the Office of Fair Trading) to act or the courts to enforce the law, the NCC advises consumers to take active steps to ensure that they do not use unfair terms. Using unfair terms in consumer contracts would be a breach of the Unfair Terms in Consumer Contract Regulations and the unfair terms would be unenforceable.

A balance needs to be struck between the software licensors' right to protect themselves contractually against risk and liability and a consumer's right to be protected from being forced to accept unfair terms. EULAs are naturally introduced after the contract has been entered into due, often, to their shrink-wrap form in physical sales, but sometimes provisions are introduced that many consumers would not agree to if they knew of their existence and had a chance to object.

- ***Consultation on new cooling off rights for consumers who receive visits from any businesses – even if solicited...***

The Department for Business, Enterprise and Regulatory Reform (previously known as the DTI) is consulting on new draft regulations that would update the Consumer Protection (Cancellation of Contracts Concluded Away From Business Premises) Regulations 1987. The 1987 Regulations provide that any consumer who enters into a contract with a trader during an unsolicited visit to his home, place of work or during an excursion organised by the trader, is entitled to a seven day cooling off period to change his mind. The new regulations would extend that right to cover visits that were solicited. Notice of the cancellation right would also need to be given. The Department for BERR is consulting on whether to extend the cooling off period beyond seven days.

## COPYRIGHT AND DATABASE RIGHTS

- ***Ireland's biggest Internet service provider becomes latest target in crack-down on illegal file-sharing...***

The Irish subsidiaries of four major record labels are suing Eircom, Ireland's biggest Internet service provider ('ISP'), for allowing copies of music to be made available without the owners' consent. EMI, Sony BMG, Universal and Warner want to force Eircom to take steps to prevent users file-sharing over its network by filtering out the illegal material. Eircom will be defending the action on the grounds that it has no legal obligation to monitor all of the traffic passing through its network.

The increasing pressure on ISPs to monitor and prevent their networks being used for illegal file-sharing is becoming more evident. Upload-IT reported in March on the UK Government's plans to introduce a new law which would make ISPs responsible for illegal peer-to-peer music downloads. For more on this article, please click here: <http://www.upload-it.com/editArticle.aspx?ID=2506>. Meanwhile, in a groundbreaking decision last year, a Belgian court ordered an ISP to filter illegal music-sharing.

- ***Computer game war turns into legal battle...***

Blizzard – the makers of World of Warcraft, the popular online game – is suing the creator of the MMO Glider program (Michael Donnelly) in Arizona. Blizzard is concerned that the Glider program warps the chances of winning and frustrates the game's purpose. The Glider program performs tasks automatically and can therefore spend more time in the game than ordinary users. Blizzard alleges that this infringes the End User License Agreement that users sign up to. It also claims that it is copyright infringement on the basis that the game is copied into the RAM (or random access memory) part of the computer in order to avoid detection. In response, Mr Donnelly claims that no software copies are made. Let the real battle commence...!

## CYBERCRIME/SECURITY

- ***Three banks under concerted attack as phishing attacks dramatically increase...***

Three unnamed banks adjudged to be particularly vulnerable to attack have been targeted with a mass of phishing emails, according to a quarterly fraud report from NetNames, the domain name registrar. Financial services customers in the UK received 60,000 phishing emails in February. Overall, there was a 70% rise in phishing since December 2007. By February, 88% of all phishing emails were targeting those three banks. 'Phishing' is the fraudulent practice of sending emails purporting to be from reputable businesses in order to induce individuals to reveal personal information, such as passwords and credit card numbers, online. The fraudsters usually trick people into disclosing their financial security details by sending recipients spoof emails appearing to come from a legitimate source or by directing them to a spoof website where the fraudsters collect users' passwords and financial data on the site.

- ***Government unable to spend a mere £1.3m on funding national e-crime unit...***

Due to cut-backs, the Home Office has told the Association of Chief Police Officers ('ACPO') that it does not have the money to contribute to the start up of a national e-crime unit. Following the merger of the previously successful National High Tech Crime Unit into the Serious Organised Crime Agency in 2006, ACPO has been lobbying for £1.3m towards the £4.5m cost of a new national e-crime unit. The

remaining costs would be funded by the private sector. The lack of funding is a worrying indication of the low priority given to tackling e-crime by the Government, which can be contrasted with the heightened concerns over the increasing impact of computer crime on businesses.

## **DATA PROTECTION/PRIVACY/CONFIDENTIALITY**

- ***Three-quarters would give their personal data to anyone but just 1 in 10 trusts the Government or a retailer with their data...***

Three-quarters of British people would provide their contact details, date of birth, health information and children's details to anyone who asks for it, whilst just 1 in 10 trusts the Government with their data and 1 in 10 trusts retailers. 87% believe the Government is not competent to deal with keeping personal data secure and 69% thought they had little regard for their privacy. These are the findings of a survey of 1,000 UK adults by Data Encryption Services.

- ***Confidentiality fears as unqualified NHS staff given access to patient records held on national database despite assurances to the contrary...***

Unqualified NHS staff at Royal Bolton Hospital's Accident and Emergency department have been given access to patient records. Bolton Primary Care Trust ('Bolton PCT') was the first site to trial the £12.4 billion National Programme for IT. Patients had received leaflets advising them of the benefits of the new national database which will contain all of their medical records in one accessible location. In one such leaflet, specific assurance had been given that receptionists would not see full patient records. After it was revealed that receptionists had been printing the patient records to add to casualty record cards, Bolton PCT changed the procedure to enable healthcare assistants to view the database instead. This has been viewed as little comfort to patients as healthcare assistants are not clinical staff and usually have no professional qualifications. Patients have been given the option to opt out of the trial.

- ***More public authority data errors as prisoner database found to be incomplete and inaccurate with thousands of records missing important information...***

More than 30,000 offenders do not have a criminal records number and more than 21,000 do not have a police national computer number. The prisoner database, which holds information on more than 80,000 prisoners, contains incomplete and inaccurate records including made-up surnames (such as 'self-harm') and 194 offenders' records which do not include details of a surname at all. These are the findings of a study by EDS, the main IT supplier of the Prison Service, which reviewed the Local Inmate Database System ('Lids'). Lids holds important information on all prisoners in England and Wales such as how much of a risk they pose to the public and enables the Prison Service to track where prisoners are held. This story comes on top of a whole raft of recent news items that cast doubt on public authorities' ability to process personal data accurately and securely.

- ***European officials call for increased care to be taken when processing children's data...***

The Article 29 Working Party, a committee of European Union countries' data protection officials, has called for increased care to be taken when processing children's sensitive data. In its guide to children's data protection, it has set out the requirement that anyone processing a child's sensitive data must ensure that they have the child's permission, and not just that of their representative, once the child

has become mature enough to make their own decisions. Other areas highlighted by the committee focused on the need for schools to take particular care when collecting data on children and using photographs on their websites, as well as taking responsibility for educating children on one another's rights to privacy. In addition, children should be able to opt out of using biometric access systems to schools and use an access card instead.

- ***Information Commissioner changes focus for data protection enforcement...***

The Information Commissioner – the regulator in charge of enforcing data protection law in the UK – has announced a new focus for data protection compliance in the UK. This includes concentrating its resources on people who unlawfully trade in personal information, dealing with surveillance and monitoring increasing information sharing between organisations. His office will give priority to dealing with situations where there is a real likelihood of serious harm to individuals or society at large. The Commissioner continues to call for greater powers and sanctions to deal with data protection breaches.

## **DESIGN RIGHTS**

- ***No defence of innocent infringement of Community design rights –***

- ***J Choo (Jersey) Limited v Towerstone Limited, High Court...***

J Choo owned a European Community registered design for its 'Ramona' handbag and also claimed an unregistered Community design right based on a design document. J Choo brought infringement proceedings against Towerstone in respect of a handbag sold at its Oxford Street shop in London. The High Court followed the test for determining infringement of a Community registered design as set out in *Procter & Gamble v Reckitt Benckiser* and said that the bag sold by Towerstone infringed J Choo's registered and unregistered Community design rights. For more on the Procter & Gamble case, click here: <http://www.upload-it.com/editArticle.aspx?ID=2308>.

Towerstone argued that it should not be liable for damages or an account of profits for infringement of a Community registered design as it was merely a shop, and the exemption from liability for damages or an account of profits for an innocent infringer contained in UK registered designs legislation should also apply to infringement of a Community registered design. The judge rejected Towerstone's arguments, though. Despite the UK Community Design Regulations 2005 having amended UK registered design laws (based on European legal requirements) and having introduced a defence for innocent infringers, this defence had strangely not been introduced for European Community designs. There was no clear reason for this distinction. However, this distinction led the judge to conclude that there was no defence of innocent infringement of a Community registered design to a claim for damages or an account of profits.

Paul Gershlick, editor of Upload-IT, comments: 'This case illustrates that companies which obtain European Community design registrations for designs which are important to their business are at an advantage (over holders of UK registered designs) as they will still be entitled to financial remedies against innocent infringers such as retailers, even if they cannot catch the original perpetrators.'

## DOMAIN NAMES

- ***Numbers of domain name disputes reaching WIPO are at highest ever...***

The numbers of domain name disputes that have reached WIPO are at record levels. WIPO is one of the accredited arbitration bodies which can hear domain name disputes under the Uniform Domain Name Dispute Resolution Policy, which provides a quick arbitration procedure for disputes over top-level domain names such as '.com', '.net', '.info', '.org', '.mobi', '.biz', '.name' and '.cat'. In order to obtain a transfer of a domain name through that Policy, the complainant must prove that the disputed name is confusingly similar to a name in which it owns rights, the respondent does not have a legitimate interest in the domain name, and it was registered and used in bad faith.

In 2007, WIPO ruled on 2,156 complaints, which was 50% more than in 2005 and also a record for a year. Since the Dispute Resolution Policy has started in 1999, over 22,000 cases have been filed with WIPO, which has awarded victory to the complainant in 85% of them. The US, France and UK are the most frequent places for the location of the complainants; the US, UK and China are the places most likely to find the respondents. Three-quarters of the domain names that are subject to dispute at WIPO are '.com' names.

## FREEDOM OF INFORMATION

- ***Information Commissioner orders disclosure of minutes of Cabinet meeting which had debated going to Iraq war...***

The Information Commissioner - the freedom of information regulator – has ordered the disclosure of minutes of a crucial Cabinet meeting which discussed the prospect of going into the Iraq war in 2003. A request for disclosure under the Freedom of Information Act 2000 had originally been made, but was turned down by the Cabinet Office on the grounds that the release of the minutes would undermine the confidentiality of Cabinet discussions and the important constitutional concept of collective responsibility. The 2000 Act gives people anywhere around the world the right to see information held by more than 100,000 UK public bodies about the way decisions are made and public money spent.

The Cabinet Office had sought to rely on an exemption under the Act relating to formulation of Government policy and ministerial communications. That is a qualified exemption, meaning that disclosure can be refused only if justified on public interest grounds. Following an appeal, the Commissioner ruled that the Cabinet Office had not proved that the public interest in refusing disclosure had outweighed the public interest in disclosing minutes relating to a decision as important as going into a controversial war. Not all of the minutes were ordered to be released, though. The Commissioner agreed that disclosure of some minutes would have a detrimental effect on international relations and so should not be released.

- ***Councils and contractors left with rubbish decision as ICO orders disclosure of confidential waste management contract...***

The Information Commissioner's Office – the freedom of information regulator – has ordered Yorkshire Council to disclose confidential information in a waste management contract that the Council had with a private sector contractor. The disclosure request had been made under the Environmental Information Regulations, but the rules and exemptions (including as to confidentiality) closely mirrored the Freedom of Information Act. This decision would therefore apply to requests under that Act. The

ICO decided that the public interest in disclosure over-rode the public interest in maintaining confidentiality as waste was a core function of local authorities. The pricing information (other than specific costs or profits) and all operational information were ordered to be disclosed.

## GAMBLING

- ***Compulsive gambler loses again as High Court throws out his claim for compensation – Calvert v William Hill, High Court...***

Graham Calvert, a compulsive gambler who lost £2m on gambling in just six months, has lost again - this time in a test case against William Hill, whom he alleged had failed in a duty of care to stop him from wasting money on his addiction. Amongst the losing bets was a single bet of £347,000 for the US to win the 2006 Ryder Cup. Mr Calvert claimed compensation after losing his wife, health and livelihood. He said that the bookmakers had allowed him to carry on betting even after he had asked them to stop taking his money under their own self-exclusion policy rules. Mr Calvert's lawyers argued that William Hill had created a policy to protect compulsive gamblers but then acted in disregard of that policy in order to gain as much revenue for their business as possible. However, the High Court held that William Hill did not owe Mr Calvert a duty of care despite the self-exclusion policy and in any event William Hill's actions would not have caused him to suffer loss, as Mr Calvert would in any event have lost his money elsewhere.

## IT AND INTERNET USE

- ***AOL buys Bebo for US\$850m...***  
AOL - the Internet service provider – has bought Bebo for US\$850m. Facebook, Bebo's social networking site competitor, recently received US\$240m of funding from Microsoft (in October 2007), which valued Facebook at US\$15bn. MySpace was bought by News Corporation for just US\$580m in 2005, before the social networking phenomenon took off. Bebo was founded as recently as in 2004 by Michael Birch, but now claims to have 40 millions users each month.
- ***More than half of children admit to checking social networking sites during school lessons...***

52% of the 1,000 or so UK children aged between 13 and 17 taking part in a study by Global Secure Systems admitted to looking at social networking sites whilst in lessons. More than a quarter confessed to spending more than 30 minutes a day on Facebook during class time. The study was aimed at discovering the extent of the use by children of such sites at inappropriate times. Children are also using the social networking sites well into the evening, leaving them tired for school the next day.

In a separate study conducted by Global Secure Systems with Infosecurity Europe 2008, it was reported that the cost to UK corporations in lost productivity as a result of social networking sites, such as Facebook and MySpace, was close to £6.5 billion a year.

- ***New bespoke user ad system gets rolled out in blaze of controversy...***

A new system which gives web users customised advertising according to the websites which they visit and general online user habits has been rolled out by three

leading Internet service providers. BT, Virgin and Talk Talk are trialling Phorm, which places cookies on users' computers and ensures that they get advertising that appears to be most relevant to them. Phorm claims this is a win-win scenario, because advertisers can target the audience that would be most interested in their products, users are not bombarded with irrelevant adverts, and Phorm and ISPs make a bit of money out of the process (and this could even lead to cheaper broadband). However, the software is controversial because some privacy campaigners argue that it is an invasion of people's privacy and over 1,000 people have signed a Downing Street petition to object.

In reply, Phorm claims that it is very up-front about how its software works and it goes beyond the minimum legal standards for data protection. It believes that it will catch-on if users trust it. It stresses that user details are 100% anonymous. Phorm has sought to counter the privacy arguments by working with respected privacy campaigners and the Information Commissioner – the UK's data protection regulator – to ensure that it gets the thumbs up. Phorm does not analyse payment card details, emails or information on secure websites, but 80/20 Thinking Ltd – the privacy group – has called for sensitive information such as medical, sexual and racial details to be blocked too. It has also called on ISPs to be prevented from discovering data about users' commercial choices such as which bank they use.

The privacy group has also urged the system to be on an opt-in - rather than opt-out - basis. Talk Talk has gone for opt-in. Phorm is concerned that that could create a large dent in its revenues.

- ***UK by far the biggest in Europe on e-commerce...***

The UK leads the way in Europe by some distance when it comes to e-commerce. UK online sales were worth £12.8 billion in 2007, compared with £9.24 billion for Germany in second place (despite its larger population) and £5 billion for France. Italy and Spain were each below £1 billion. The UK's growth rate between 2005 and 2007 was also highest – at 75%. The value of online sales in the UK is projected to be £40 billion by 2012. Tesco is the largest food retailer in Europe – more than twice the size of Carrefour, in second place.

### **MISLEADING SELLING**

- ***Adult entertainment site caught by OFT in compromising position after unfair selling terms left users with annoying pop-up ads that they couldn't remove...***

Micro Bill Systems Ltd has been brought to book by the Office of Fair Trading for having contractual terms that did not clearly describe what would happen to people who agreed to subscribe to its service. MBS provided subscription-based adult entertainment services through the Internet whereby consumers could sign up without providing credit card or personal details. Instead, consumers had to agree to terms and conditions that stated that pop-up adverts would appear on their machines if they had not paid or unsubscribed within the first three days. The pop-up ads covered a large part of the screen and were locked – preventing the computer from being used for other purposes. The number and frequency of the ads increased over time. Following complaints, the OFT investigated whether the sign-up process had been unfair, contrary to the Unfair Terms in Consumer Contracts Regulations 1999.

MBS co-operated with the OFT's investigation and agreed to provide certain undertakings, including:

- ◆ Not to have more than 20 pop-up ads per user.

- ◆ Not to have more than one pop-up ad per user per 24 hour period.
- ◆ Not to allow the pop-up ads to be locked open for more than 60 seconds.
- ◆ Make clear in the sign-up process that consumers are entering into a contract.
- ◆ Make clear in the sign-up process that pop-up ad bills would appear on their screen when payment is due.
- ◆ Tell the users how they can uninstall the software that generates the pop-up ads.

## PATENTS

- ***High Court warns not to dismiss patents just because they relate to software, if they improve system performance – Symbian v Comptroller General of Patents, High Court...***

Symbian had applied for a UK patent relating to a method of accessing data in a computing device – specifically data held in a dynamic link library. The patent application was refused. Symbian appealed to the High Court, which has now allowed its appeal. Computer programs are generally not patentable unless they have a technical effect. However, the High Court criticised the failure of the patent examiner even to consider whether the program had a technical effect. Care would be needed to not pre-judge the issue of technical contribution or even exclude it altogether purely on the basis that software is involved. The Court said that it was wrong to label all programs simply as being software and therefore excluded. Each case should be decided on its own facts. Programs that create an increase in speed or reliability due to re-organising data in the dynamic link library within the operating system should not be excluded from patentability. That had a technical effect.

This case follows closely on from another recent software patent case in the High Court which also warned against automatic dismissal of software patents. For more on that case, please click here: <http://www.upload-it.com/editArticle.aspx?ID=2473>.

- ***High Court rules that Qualcomm patents are invalid – Qualcomm v Nokia, High Court...***

In 2006, Qualcomm alleged that Nokia's GSM mobile phone technology infringed patents held by Qualcomm which protected power saving and power control technology. The High Court has now ruled that Qualcomm's power saving patent is invalid and the power control patent only partially valid. It was irrelevant that Nokia's technology included material covered by the power saving patent because the patent was invalid. The parts of Qualcomm's power control patent which were deemed invalid were the parts which Nokia's technology infringed and therefore no licence fees were due.

This case is the latest in a long-running battle between the two companies. Since 2005, the European Commission has been investigating Qualcomm's allegedly abuse of its dominant position after Nokia had complained that the chip manufacturing giant had reneged on an agreement not to over-charge for licences to its technology if it formed part of industry-wide standards.

- ***BlackBerry sees off patent infringement claims – Research in Motion v Visto, High Court...***

The maker of the BlackBerries - Research in Motion - has successfully shown the High Court that its popular hand-held devices do not infringe Visto's patent and are therefore not liable to pay patent licence fees. In doing so, RIM also managed to get Visto's patent revoked for being excluded from patentability on the grounds that they were merely a computer program with no technical effect. Visto's patent was for a method of synchronizing electronic mail across a network. Users of the BlackBerry

can now breathe a huge sigh of relief as the ruling means that they will not be charged additional fees for their BlackBerries to cover the patent licence fees nor will they be sued for patent infringement by Visto.

## **TRADE MARKS AND PASSING OFF**

- ***Yahoo! did not infringe trade mark rights by allowing another person to sponsor the same term as the trade mark owner – Victor Wilson v Yahoo! UK Ltd, High Court...***

Mr Wilson ran a business selling Afro-Caribbean and South Asian food under the name 'Mr Spicy'. He had registered that name as a trade mark. He complained that Yahoo!, the search engine, was infringing his rights in the name by generating paid adverts for other websites when people typed in the search term 'Mr Spicy'.

The High Court dismissed his claim and awarded summary judgment to Yahoo!. The search engine had not 'used' the trade mark - or even if it had done so this had not been in a trade mark sense. The person who could have been said to have used the term was the person conducting the search. In any event, on the facts of the case, the term that had been sponsored by the other companies to generate the adverts had been 'spicy' (which was not a trade marked term) and not 'Mr Spicy', and the adverts had made no mention of the words 'Mr Spicy'.

Paul Gershlick, editor of Upload-IT comments: 'It appears from this case that search engine providers are safe from claims for trade mark infringement if they allow third parties to sponsor trade marked words. However, this case should be treated with caution as it turned out that there was no sponsoring of the trade marked term itself nor was there any mention of the term in the adverts generated. The case also does not deal with the position of whether the advertiser would be liable for trade mark infringement. However, following the Court of Appeal decision in Reed v Reed in 2004, using a trade marked term but not including it in the text of the advert may not be a problem, especially if the advert generated comes below the search result for the trade marked products or services.'

- ***US court rules that trade mark infringed when term used in paid listing heading...***

Storus Corporation owned the US registered trade mark 'Smart Money Clip'. Aroa Marketing – a rival – sponsored the term with Google under the search engine's AdWords scheme so that people searching for the term would see Aroa's advert. When Aroa's paid listing was shown, the term 'Smart Money Clip' came up in the heading of the advert. The US District Court for the Northern District of California has ruled that Aroa's use infringed Storus' registered trade marks. The Court did not say whether using the trade mark as a keyword in order to generate adverts without also using it in the text of the advert would have meant that the case would have been decided the same way.

This case can be contrasted with the case recently heard in the English High Court which decided that Yahoo! was not infringing a registered trade mark if it had allowed users to sponsor a registered trade marked term, 'Mr Spicy', to generate paid adverts. In that case, the term did not appear in the text of the advert, and that claim had also been brought against the search engine rather than the company sponsoring the advert.

- ***Honda sent on its bike in attempt to show that it had not consented impliedly to parallel importers' sales in the UK from outside the EEA – Honda v KJM, High Court...***

Various parallel importers imported bikes made by, and bearing the trade marks of, Honda into the European Economic Area from outside the EEA. Under European Union laws relating to parallel importing, trade mark owners can stop goods bearing their trade marks from being imported without their unequivocal consent into the EEA if those particular goods imported have not been offered for sale in the EEA before (although they usually cannot stop goods from being imported from one EEA country into another). In a case decided in 2006, the High Court awarded summary judgment to Honda in respect of many of the imports, as Honda could not have taken to have consented to them. For more on that case, please click here: <http://www.upload-it.com/editArticle.aspx?ID=1468>

However, the High Court had originally stated that some of the imports needed further investigation. Those further imports have now been decided upon. In this particular case, Honda had sold various bikes to an Australian outfit called Lime Exports, which in turn sold about 1,200 bikes to KJM – one of the parallel importers being sued by Honda in this case. Lime Exports sold the bikes commercially to many destinations around the world and Honda was aware of that.

In the case of *Davidoff v Levi Strauss* in 2002, the European Court of Justice said that only exceptionally could a trade mark owner be deemed to have consented impliedly to the parallel importing – where the facts unequivocally demonstrated that the owner had renounced its rights to oppose the placing of the goods in the EEA. Very few cases have met those strict criteria. However, the High Court has decided that this second round of this case was one such example and has ruled in favour of the parallel importers.

As had been shown in the recent *Mastercigars* case (more of which can be found here: <http://www.upload-it.com/editArticle.aspx?ID=1920>), unequivocal consent could still occur impliedly. When Honda sold large quantities of bikes to Lime Exports – knowing that it was a commercial reseller - without any conditions as to identity or location of onward purchasers, its actions amounted to consent to the bikes being sold to any location outside of Australia. The implied consent was terminated when Honda changed its procedures and asked Lime Exports for details of the destinations. If the bikes were sent to a destination which Lime Exports had notified to Honda, then Honda would have been deemed to have consented; but no consent would be implied if the bikes were sold to a different destination.

### **UNSOLICITED COMMUNICATIONS**

- ***ASA rules that ING Direct should not have conducted direct marketing to people who had opted out...***

The Advertising Standards Authority has ruled that ING Direct – the financial services provider – should not have contacted customers who had opted out of receiving marketing communications with details of its other financial services. ING complained that it had issued two email notices: one to its customers who had opted-in with promotional offers, and another to customers who had opted-out with a statement that the customer had been currently shown as being opted-out but with information about how to change their mind so they could be told about their other products. That email newsletter to the people who had opted-out also contained information on some of their 'Flexible Mortgage' and 'Home Insurance' products. A customer complained and the ASA agreed that the second version of the email

newsletter was still likely to be viewed as a marketing communication – as it specifically referred to certain ING products. ING Direct would be deemed by the customers to have ignored their opt-out wishes. Accordingly, ING Direct was deemed to have breached the CAP Code. 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.

Interestingly, ING Direct was able to show that 200 customers had actually opted back in to receive details of its products as a result of its campaign.

Paul Gershlick, editor of Upload-IT, comments: 'This case shows how difficult it is to get existing customers legitimately to opt back in to receiving marketing communications. Care should be taken because merely emailing the customer to ask could be construed as a marketing communication. It seems from this decision that the ASA would consider an email with details of products to be a problem, but it is not clear how the ASA would construe an email that merely asked to opt-in again without mentioning specific products. Businesses should also consider the requirements of the Privacy and Electronic Communications Regulations, which have legal force, in addition to the Code.'

- ***Spam more of a problem than ever, 15 years after the term was first introduced...***

'Spam' has been around for 15 years. That was when the term was first introduced for unsolicited emails. The anniversary is no cause for most Internet users to celebrate, though, as over 90% of all email traffic on the Internet is spam, according to Spamhaus, the anti-spam solutions provider. Billions of spam emails are sent each day, slowing down servers, networks and introducing malicious software. Spamhaus say that just 200 spammers are responsible for 80% of spam. A lot of spam is sent by home computers which have been surreptitiously taken over by malicious software to send out the emails without their users' knowledge.