

UPLOAD-IT - 1 July 2007

CONTRACTS

- ***DBER issues consultation on implementing the Unfair Commercial Practices Directive into the UK...***

The Department for Business, Enterprise and Regulatory Reform (formerly the Department of Trade and Industry or the DTI) has issued a consultation about the implementation of the Unfair Commercial Practices Directive, which was due to be implemented into UK law by 12 June 2007. The Directive is aimed at ridding business and society of people who use 'sharp' and misleading marketing practices.

The laws aim to protect against misleading marketing and pressure selling by businesses when they deal with consumers. The Directive prohibits unfair commercial practices that materially distort the behaviour of the average consumer to whom the product reaches or is addressed. Commercial practices are considered as unfair if they are misleading or aggressive. "Misleading" includes deception relating to the existence or characteristics of the product, the price, the need for a service or part, the status of the supplier or his agents, or comparative advertising. "Aggressive" practices include force or undue influence or anything likely to significantly impair the consumer's freedom of choice or conduct.

A breach of the rules will in most cases be a criminal offence. In addition to a fine, directors and managers could be sentenced to up to two years in prison.

The Government has issued two sets of draft regulations – one to protect consumers from unfair business practices and another to protect business from misleading adverts. The draft Business Protection from Misleading Marketing Regulations 2007 will replace the Control of Misleading Advertisements Regulations which currently deals with comparative advertising issues. The draft regulations will ban any advert or 'indication' that deceives or is likely to deceive the trader to whom it is addressed or whom it reaches and which by reason of its deceptive nature, is likely to affect a consumer's economic behaviour or injure a competitor.

The draft Consumer Protection from Unfair Trading Regulations 2007 imposes further restrictions on what traders can and cannot do. A commercial practice becomes a misleading action, and therefore a criminal offence, if it:

'...contains false information and is therefore untruthful... or if it or its overall presentation in any way deceives or is likely to deceive the typical consumer... even if the information is factually correct; and causes or is likely to cause the typical consumer to take a transactional decision he would not have taken otherwise'.

Because of the many changes brought in by the regulations and the serious consequences of breaching the regulations, it is advisable for businesses to take note of the consultation and make their comments known to the Government. For further information, please click here: <http://www.dti.gov.uk/consultations/page15310.html>.

- ***High Court says that pre-contract negotiations cannot be considered in construing a clause in a contract – Great Hill Equity Partners v Novator One, High Court...***

Great Hill wanted to buy an internet company listed on the London Stock Exchange. Some other investors wanted to invest in the internet company through a vehicle, FLS and wanted that company to take over the internet company. The Takeover Panel decided that the internet company would be bought and sold through an

auction process since there appeared to be competing bids. Great Hill and FLS entered into a subscription agreement. The agreement gave Great Hill a right to buy new shares issued in FLS in respect of any new shareholder loans so that it could maintain its shareholding of 23% in FLS. At the time the parties entered into the agreement, they thought that FLS would succeed in buying the internet company so no provision was made if FLS's bid failed and it did not own the internet company.

FLS bought shares in the internet company which it funded through a loan from another company KTN. Great Hill thought that the loan would be repaid through issuing of shares in FLS. It tried to enforce the subscription agreement term so that it could participate in its pro rata share of the KTN loan and so maintain its shareholding in FLS. This did not happen as the loan was repaid through other means and so the parties were in dispute over the subscription agreement terms. The matter went to court. The construction of the term of the subscription agreement depended on certain pre-contract statements and a draft heads of terms sent by one side to the other. The English courts do not generally use discussions leading up to the signing of contracts to interpret contracts when arguments arise later. However, they do consider everything else that might reasonably be available to the parties which would have affected the way in which the language of the document would have been understood by a reasonable man. This is known as the 'factual matrix'. Great Hill argued that it was open to the court to allow the pre-contract statements and draft heads of terms to be admissible evidence as part of that 'factual matrix'.

The High Court followed previous court decisions and stated that the rule that pre-contract negotiations were inadmissible still applied. There were a couple of exceptions to this – where there was a claim for rectification of a contract or where there was a term in the contract which had a specific meaning given to it by the parties in pre-contract communications which could only be identified through admitting those pre-contract communications as evidence. In this case, Great Hill's dilemma did not come within those exceptions so the parties' pre-contract statements were not admissible.

- ***OFT investigates unfair bank charges for current accounts ...***
Earlier this year, the Office of Fair Trading (OFT) started to investigate personal bank account pricing. It is focusing on the fairness of charges for unauthorised overdrafts and other current account charges and whether so-called 'free' current accounts deliver sufficiently high levels of transparency and value for customers in comparison to other types of current accounts available. The investigation is separate to the other investigation the OFT is carrying out to decide if such charges are unfair under the Unfair Terms in Consumer Contracts Regulations 1999.
- ***Irate bank customer loses his challenge of bank's 'unfair' current account charges – Berwick v Lloyds TSB and Haughton v Lloyds TSB, Birmingham County Court...***
Mr Berwick wanted to recover from Lloyds TSB the charges made to his account for unauthorised overdrafts over a 6 year period. Mr Berwick claimed that the charges were unlawful as penalties since they exceeded the loss that Lloyds TSB actually suffered because of the unauthorised overdrafts. He also claimed that they were imposed under unfair and unreasonable contract terms and were unfair in themselves as charges. The bank countered his claim by arguing that the charges were imposed by virtue of the term of the contract between the parties and they constituted the price paid by the customer for services provided so they were excluded from the relevant provisions of the Unfair Terms in Consumer Contracts Regulations 1999, so they could not be considered to be unfair and unreasonable under those regulations.

The judge decided that the bank was entitled to make the charges under its standard terms and conditions. The charges were not made because Mr Berwick had breached its contract with the bank by taking out unauthorised overdrafts so they were not charged to compensate the bank for its losses. As a result, they could not be considered to be unfair penalties. The laws about excluding liability to customers or asking customers for an indemnity for negligence did not apply as the bank had not claimed that Mr Berwick had breached its contract with the bank or was negligent. The judge agreed with the bank that the unauthorised overdraft charge was the price paid for the provision of a service that included a whole range of facilities and activities. Whether a bank's charging structure was fair or not would depend on what other banks operating in a competitive market were charging for its services. This was a question of fact that Mr Berwick had to prove to the court. There was no evidence to show that Lloyd TSB's charges were unreasonable so Mr Berwick lost his claim.

- ***Bank customer campaigners pledge £100,000 to help other customers to fight unfair bank charges...***

MoneySavingExpert.com, the Consumer Action Group and private individuals have together pledged a £100,000 fighting fund to encourage people to fight unfair bank charges. This follows from the decision in *Berwick v Lloyds TSB* where the court found that there was no evidence to show that Lloyds TSB customer charges for unauthorised overdrafts were unreasonable. Another County Court in Lancaster also held that the customer had failed to state an adequate claim in his case against unfair bank charges. Martin Lewis, the creator of MoneySavingExpert.com, commented that the banks were using these decisions to scare people away from making claims against the banks. Campaigners claim that the real cost of an unauthorised overdraft is £2.50 whereas some banks can charge up to £38 for a customer being overdrawn without permission. Thousands have still written to their banks and reclaimed their charges successfully. Mr Lewis also commented that the decision of the county court was not binding on other courts and many judges were ignoring the *Berwick* case.

Another case brought by a barrister, Mr Tom Brennan is due to be heard in the High Court within the next few weeks. Mr Brennan has asked the High Court for exemplary damages against NatWest bank for causing him practical and emotional hardship by charging him £2,500 in fees during his legal training.

- ***High Street Banks want test case on customer complaints that their charges are too high...***

The high streets banks finally appear to be listening to its customers in the matter of unfair bank charges. Industry sources suggest that the banks want a test case to resolve ambiguities over customer claims that they are being unfairly charged. Campaigners claim that bank charges for unauthorised overdrafts are as much as £4.7 billion a year in total. Thousands of customers have reclaimed unfair charges and banks have settled out of court rather than reveal the actual cost of overdrafts and bounced cheques. The situation became more unclear when the Office of Fair Trading (OFT) decided to investigate bank charges and when a Birmingham County Court found that a customer had not been unfairly charged for taking out unauthorised overdrafts. As many as 77 cases about this matter were lodged at Leeds Mercantile Court but all were then settled out of court. Even County Court judges have stated that they would like to see a test case from the High Court to clarify the position once and for all.

COPYRIGHT AND DATABASE RIGHTS

- ***BSA reaches out-of-court settlement with UK firm for using unlicensed software...***

The Business Software Alliance (BSA) has settled its action against a major UK firm for using unlicensed Microsoft, Adobe and Autodesk software. The BSA represents software licensors and helps them obtain licence fees for illegally copied software or software used without a licence. The amount of the payment is reported to be the largest ever paid. The BSA estimates that 27% of software used by UK businesses is unlicensed.

CYBERCRIME/SECURITY

- ***Government issues Electronic Commerce Directive (Terrorism Act 2006) Regulations 2007...***

The Terrorism Act 2006 made a number of activities criminal offences, such as encouraging acts of terrorism and disseminating terrorist propaganda. The Act also makes it an offence to commit the new offences in the course of the provision or the use of a service provided electronically. The Act includes a defence for providers of electronic services, under which they can avoid criminal liability for conduct or statements made by their users only if they can prove that conduct or statement had not been endorsed by the relevant person. This applies if a constable gives the Information Society Service (ISS) provider notice and the ISS provider fails to comply with the notice. The Government has issued the Electronic Commerce Directive (Terrorism Act 2006) Regulations 2007 to clarify the position for providers of electronic services so that they do not become liable for terrorism offences under the Terrorism Act unwittingly and to give them the same protection against liability for these offences as given to them by the E-Commerce Regulations for other criminal offences and defamatory statements.

The new regulations state that the Terrorism Act offences will apply to ISS providers on a country-of-origin basis. The offences apply to UK-established providers even where they provide information society services in EEA member states outside the UK. Any other ISS provider based in an EU member state other than the UK can also be prosecuted for a relevant offence, or given notice where certain conditions are satisfied.

The new regulations create exceptions from liability for relevant offences where ISS providers act as mere conduits, caches or hosts of information without having control over the information. These roughly follow the E-Commerce Regulations. ISS providers have to meet certain conditions to benefit from the new Regulations such as acting 'expeditiously' to remove or disable access to the information which is unlawfully terrorism-related under the Terrorism Act.

- ***FBI opens X-files on zombie computers to stop them taking over the world...***

The FBI has found that one million zombie computers are being used to send spam, steal IDs and launch websites. It has launched an operation called Operation Bot Roast to tackle the problem. As part of this initiative, the FBI will notify owners of computers that have been made into zombies or that are part of the zombie networks.

'Zombies' are used without the knowledge of their owners, for example to remotely send viruses, spam and take part in co-ordinated denial of service attacks. They have

also been used to cause competitors' websites to go down, to fraudulently increase payments on search engines' pay-per-click sponsored results and to distort online opinion polls. Many people are not aware that their computer is a zombie so need to be told. Also, they can easily fall prey to the problem by opening an email attachment that has a virus or visiting an infected web page.

DATA PROTECTION/PRIVACY/CONFIDENTIALITY

- ***Orange and Littlewoods told to comply with Data Protection Act by Information Commissioner...***

The Information Commissioner's Office (ICO) has found that Orange was not keeping its customers' personal data secure and that Littlewoods had kept on sending a customer marketing mail where the customer had asked not to be sent such mail several times – both flagrant breaches of the Data Protection Act. Orange employees regularly shared usernames and passwords for logging on to computers, thus compromising the security of customer databases. The ICO has asked both companies to sign formal undertakings to comply with the Act. If they fail to comply with the undertakings, the companies will be subject to enforcement action and could even be prosecuted.

- ***Information Commissioner targets recruitment companies...***

The Information Commissioner's Office (ICO) has said that it will come after recruitment companies for failing to register as data controllers under the Data Protection Act. The Act requires people who process personal data electronically to notify the ICO. If they fail then they can be prosecuted and fined. The ICO estimates that 50% of recruitment companies have not notified the ICO and so are not registered as data controllers. Notification costs £35 per year and can be made directly with the ICO via its helpline 08456 30 60 60.

- ***Former coppers get nicked for phone bugging...***

Two British policemen who also worked as private detectives in their spare time have been convicted of conspiracy to cause unauthorised modification of computer material. The two have been named as Jeremy Young and Scott Gelsthorpe. One also admitted to conspiring to defraud and cause criminal damage to property. The two ran Active Investigation Services, a service also known as 'Hackers are us'. The millionaire Adrian Kirby had used them to spy on environmental investigators. Mr Kirby himself was recently acquitted of spying charges against his ex-wife, Tamara Mellon. The company charged £5000 for hacking into an e-mail account and £6000 per month for tapping a landline telephone. They also had a specialist department known as 'OTS enquires' which stood for 'a bit on the side'. The company used the expertise of various sub-contractors, such as Marc Caron of Phoenix, Arizona, who was brought in to release Trojan horses (a type of computer virus) via an e-mail or website program. Caron also pleaded guilty in the US and is waiting to be sentenced.

DESIGN RIGHTS

- ***Design Registry decides that poncho with football strip design not invalid under design law...***

Mrs Walton owned two UK registered designs and one Community registered design for different shaped ponchos bearing no surface decoration. Zap Limited owned a registered design in a poncho with the 2006 England football strip on it. Mrs Walton applied to the UK Designs Registry to invalidate Zap's design under the Registered Designs Act 1949 for a lack of novelty and individual character.

Mrs Walton's claim did not succeed. This was because Zap's design was a different shape to Mrs Walton's designs. Zap's design formed a different overall impression on the informed user from Mrs Walton's earlier registered design. The Registrar also commented on the lack of a surface decoration on Mrs Walton's designs and its affect on Zap's registered design – a lack of surface decoration was not to be taken as a positive feature of the earlier designs allowing the later design to form a different overall impression merely through the inclusion of a surface decoration. If this had been allowed, then designers could evade registered designs lacking in surface decoration by adding surface decorations to the registered design making it, then selling it without infringing design right. The focus was on comparing the two designs' shapes and contours. The Registrar also commented that Mrs Walton's ponchos with the 2004 England football strip had unregistered design protection. However, Zap's use of the 2006 England Football strip created a different overall impression for the informed user since poncho-lovers were likely to notice the differences between the strips from different years. In coming to this conclusion, the Registrar referred to the replica football shirt market where buyers of football shirts concern themselves with the differences between shirts from different years. So, an informed user of the ponchos that had a football strip was more likely to be aware that ponchos from different years would have a different football strip.

E-COMMERCE REGULATIONS

- ***OFT finds that web traders and online shoppers do not know their online legal rights...***

56% of online shoppers do not know about their right to cancel online orders under the Distance Selling Regulations according to a report published by the Office of Fair Trading (OFT) on internet shopping. 29% of the online shoppers do not know where to go to get advice. The report focussed on four areas of market trading rather than every type of market trading. These were domestic electrical goods, travel, music and online auctions. More worryingly, the OFT found that two thirds of UK online retailers had not sought advice on e-commerce laws and one-fifth of sites examined by the OFT did not have an email address for customers to use to contact them in line with the E-Commerce Regulations. One fifth of online electrical goods sellers did not know that buyers had a right to cancel orders. The terms and conditions of trading for some even imposed onerous terms on customers making it harder for them to cancel their orders and get a refund.

The report revealed that nearly a quarter of shoppers online had experienced problems with their shopping as well. However the level of complaints was not unusual when compared with other types of distance selling. In particular the OFT found that there was some confusion about whether the Distance Selling Regulations applied to online auctions. The OFT also found that the current laws in this area needed to be revised to keep up with the latest practices and trends in online shopping. The OFT said that it would refer these matters to the European Commission to consider. The OFT also stated that it would develop and implement a strategy to raise business and consumer awareness of online shoppers' rights.

FREEDOM OF INFORMATION

- ***Ministry of Justice issues FOIA report for 2006...***

The second annual report on the Freedom of Information Act 2000 (FOIA) has been issued by the Ministry of Justice. The FOIA came into force on 1 January 2005 and gives people anywhere around the world the right to see information held by more

than 100,000 UK public bodies, about amongst other things, the way decisions are made and public money spent.

The report reveals that the number of requests under FOIA have been steady and that the Government's response to them has been slightly better in 2006 than in 2005. There was a 12% reduction on the number of requests made in 2006 for 2005. 91% of requests were answered on time. 62% of requests were granted, 15% were partially refused and 19% were refused. The most commonly applied exemptions were the 'personal information' exemption and the 'provided in confidence' exemption. 384 appeals were sent to the Information Commissioner's Office (ICO). This was a big increase from 2005. Only 91 appeals were completed at the time of the report; of these 14% were upheld and 25% were partially upheld.

IT AND INTERNET USE

- ***OFT says that online shoppers lose £100 million each year in paying hidden charges online...***

Online shoppers have to pay more than £100 million in hidden charges each year according to the Office of Fair Trading (OFT). Most online shoppers (up to 1.2 million of them) are unaware of the charges when they buy online but still go on to buy the product at the end of the sale process. For example, 47% of flights reviewed had final 'check-out' prices that were higher than the initial price. This practice is known as 'philfing'.

MISLEADING ADVERTISING

- ***Court of Appeal makes mincemeat out of interim injunction application to stop comparative advert – Boehringer Ingemheim v Vetplus, Court of Appeal...***

Boehringer and Vetplus sold nutritional supplements for dogs which contained chondroitin and both had trade marks in their product names. Vetplus decided to test Boehringer's products to see whether they contained the amount of chondroitin stated on the label. Vetplus intended to publish the results as part of comparative advertising. In those tests, it was revealed that Boehringer's product did not contain as much chondroitin as claimed on their labels. Boehringer claimed that the tests were not reliable. Boehringer applied for an interim injunction to stop the comparative advert because the advert referred to its trade marked brand name. Vetplus argued that it had a defence to trade mark infringement under the rules allowing comparative advertising which states that a person could use a trade mark in comparative advertising as long as the use was in accordance with honest commercial practices and such use did not take unfair advantage of, or be detrimental, to the distinctive character of the trade mark. It also argued that the Human Rights Act 1998 gave it a right to free expression and also it did not allow a court to stop publication before trial unless the claimant was likely to establish at trial that the publication should not be allowed.

The matter ended up going to the Court of Appeal. The judge (who gave the leading judgment) commented that Vetplus could not claim that it was acting within honest commercial practices under comparative advertising laws if it made a statement which it thought was true but when it turned out to be untrue, it refused to compensate the person who had suffered damage because of the statement. However, the main issue in this case was the application of human rights law and whether stopping the issuing of the comparative advert would affect Vetplus' right to freedom of expression. The Court of Appeal decided that the Human Rights Act 1998

applied to whether Vetplus could issue a comparative advertisement and Boehringer had not established that it was more likely to succeed in persuading the courts to prevent publication of the ad at trial. For that reason, the court did not grant an injunction to stop publication.

- ***High Court blows out fire alarm maker's application to stop comparative advert because of human rights law – Red Dot Technologies v Apollo Fire Detectors, High Court...***

Red Dot owned a trade mark in the name 'RAFIKI' and produced a fire alarm under that brand name. Apollo also produced fire alarms. Apollo issued a comparative advert in the form of a chart which showed that it had a wider product range than Rafiki. Red Dot claimed that the advert infringed its trade mark and was misleading. As the trial would not take place for some time, it applied to the High Court for an interim injunction to stop Apollo using the advert until matters were decided at trial.

Apollo argued that under human rights law, it had a right to freedom of expression and the courts had to decide whether or not to grant the injunction under the Human Rights Act 1998, which has been interpreted in case law so that the courts only grant such an injunction on the basis of whether the claimant was more likely than not to succeed in stopping the publication at trial. The High Court found that both parties had strong cases and Red Dot had established that there was sufficient likelihood of success for its position to entitle it to an injunction. But the injunction would interfere with Apollo's right to freedom of expression, so the injunction was not granted. The High Court stated that Apollo could use the advert but only if it stated that the advert was not a comprehensive comparison of the parties' products.

- ***ASA refuses to censure Intel for claiming that the Intel Core 2 Duo is 'the world's best processor' on receipt of proof substantiating their claim ...***

The Advertising Standards Authority (ASA) – the UK advertising regulator - received 7 complaints after the broadcast of Intel's TV ad which claimed that the Intel Core 2 Duo was 'the world's best processor'. Some thought AMD's were better and others thought that Intel could not compete with the chips in super computers. Under the CAP Code, claims in ads have to be truthful and can only be used if they can be substantiated with evidence. The CAP Code is a code of practice which governs the content of adverts and marketing communications. It is administered by the ASA. 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.

Intel's defence to the complaint was that it had sufficient evidence to prove its claim. It stated that it and AMD controlled 99.3% of the processor market. It supplied the ASA with SPEC benchmark numbers that show the bottom-of-the-line Core 2 Duo E6300 outperforming AMD's Athlon 64 FX-62, which was its main competitor. The benchmark results showed that Intel's product scored higher than AMD's. It also consumed less power than the Athlon 64 FX-62. Intel said that the people who would view the ads would assess the claim based on what they wanted to buy and not how the claim related to servers or super computers, so its claim was justified. Surprisingly, the ASA agreed with Intel's point of view and allowed their rather egotistical claim!

- ***ASA decides that Shenley estate agents breached CAP code for claiming to be Shenley's 'leading agent'...***

An estate agent from the village of Shenley stated that it was the 'leading agent' in Shenley on its website. The other estate agents in the village complained to the

Advertising Standards Authority (ASA) – the UK advertising regulator. The ASA asked the estate agent making the claim to substantiate its claim and the estate agent responded by saying that it had been in Shenley the longest and had more experience. The ASA thought that punters reading the claim would think that the estate agent had sold the more properties in the Shenley area than any other estate agent. There was no evidence of this. As a result, the ASA found that the claim was misleading and contrary to the CAP Code which states that claims in ads have to be truthful and can only be used if they can be substantiated. The CAP Code is a code of practice which governs the content of adverts and marketing communications. It is administered by the ASA. 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.

MISLEADING SELLING

- ***Ofcom fines Channel 5 for faking winners on quiz shows...***
Ofcom has fined Channel 5 £300,000 for faking winners on its live call-in competitions. What started out as a one-off quick fix for occasions where there was no winner had become an established practice for Cheetah, the makers of Brainteaser and Memory Bank – two of the shows on Channel 5. Ofcom found that the practice substantially misled viewers and that Endamol (Cheetah's parent company) and Channel 5 were more focussed on the smooth running of their programmes rather than treating its viewers and competition entrants fairly. The fine was given even though Channel 5 had extensive compliance procedures in place and regularly reviewed and monitored the procedure for conducting competitions.

Channel 5 will not appeal the ruling.

PATENTS

- ***Ocean Tomo sells patent for online shopping technology for £2.5 million in London IP auction ...***
Ocean Tomo – an auction firm that has pioneered live intellectual property auctions – has recently sold a 10-year old patent for online shopping technology in London for £2.5 million. The patent's short title is 'Methods for internet shopping with one-stop shopping cart'. The patent was owned by a woman from New Zealand and allows shoppers to search for goods in the databases of several shops through one website. The patent was used against Shop.com in 2006 but the case was settled. The firm has said that it will host more auctions in the US next spring and in Europe next summer so watch this space....

TRADE MARKS AND PASSING OFF

- ***European Court provides guidance on the circumstances in which trade marks can be revoked for non-use – Häupl v Lidl, European Court of Justice...***
Lidl, the supermarket chain, applied to register a trade mark 'Le chef de cuisine' in Germany in July 1993. Using the Madrid Protocol (an international treaty for trade mark registrations) Lidl had the mark registered in Austria. It was protected in Austria from 12 October 1993 and then published in Austria as a registered trade mark on 2 December 1993. Lidl sought to expand into Austria in 1994, but was delayed by 'bureaucratic obstacles' such as delays in receiving operating licences.

Lidl eventually opened a supermarket in Austria on 5 November 1998, in which it sold ready-made meals under the trade mark 'Le chef de cuisine'. Meanwhile, Häupl successfully applied to the Austrian Patent Office to have the trade mark cancelled on 13 October 1998 on the basis that the mark had not been used for five years without proper reason. Lidl went to court to appeal against the revocation of its trade mark.

The European Court of Justice had to rule on two issues under the EU Trade Marks Directive. The first issue was when the five year period ran from. Because of the timing of Lidl's use, it would have been using the trade mark if the start day for the five year period had been the date of publication (in December 1993) rather than the date on which it had been protected in Austria (in October 1993). The ECJ ruled that the appropriate date had to be determined by the relevant country's procedures for registration and so the exact date depended on the country's own rules.

On the second issue, the ECJ decided that whether Lidl had proper reasons for non-use should be interpreted widely so as to apply in situations beyond just the impossible. If the obstacles had a direct relationship with the trade mark use which made it unreasonable to use the mark, that would also constitute 'proper reasons' for non-use. It was again for the national court to interpret that on the facts of the case. Based on what the ECJ said, it may have been unreasonable to expect Lidl to have to sell ready-made foods in a competitor's store until it had overcome the licensing obstacles to opening its own stores. However, it was for the Austrian national court finally to decide...

- **'Europig' trade mark given the chop by the European Court of First Instance – Europig SA v OHIM, Court of First Instance...**

Europig SA, a French company, applied to register the mark 'Europig' as a Community Trade Mark (CTM) for meat products. The application was refused since the mark was descriptive in relation to the goods applied for and lacked distinctiveness. The applicant argued that it had acquired distinctiveness through use. The applicant took the matter to appeal and the case ended up in the Court of First Instance (CFI).

The CFI rejected the appeal. It found that the mark was descriptive of the goods covered by it. The mark was a combination of two descriptive words. If the word 'Europig' was to be registered as a trade mark, it had to consist of an unusual combination of words which created an impression that it was sufficiently far-removed from the meaning derived from the combination of meanings attributable to its constituent parts. The mark was not unusual in this case since it followed the 'normal' English-language lexical rules. It also conveyed the characteristics of the goods, which was that they were pigs of European origin. On that basis, the CFI rejected the application.

- **ECJ decides that the conditions that apply to parallel imports than are repackaged also apply to 'overstickering' - Boehringer Ingelheim v Swingward, ECJ...**

Some pharmaceutical companies sued two parallel importers for trade mark infringement because they had imported the companies' products into the UK after repackaging them and re-labelling them. A parallel importer is someone who buys goods in one country and takes advantage of different prices in different countries by re-selling them at a mark-up and still undercutting the official price in the import country. Trade mark owners try to prevent parallel importing to keep their margins. European case law has established that a trade mark owner cannot stop the parallel importing of products containing its trade marks once it had put them on the market anywhere in the European Economic Area, but could stop their sale in the EEA if the

goods had only been on the market outside the EEA. In this case, the High Court referred certain questions to the European Court of Justice (ECJ) and then it found in favour of the pharmaceutical companies. The defendants appealed to the Court of Appeal and it also referred certain questions to the ECJ.

The ECJ made a number of points about parallel imports that were repackaged and relabelled and how parallel importers had to meet certain conditions to avoid trade mark infringement claims. To benefit from the conditions, a parallel importer has to show that:

- The attempts to restrict the parallel importing would not lead to the artificial partitioning of the markets between EU states.
- The repackaging is "necessary" in order to market the product in the importing state.
- The repackaging does not affect the original condition of the packaged product.
- The new packaging clearly states who repackaged the product and the name of the manufacturer.
- The presentation of the repackaged product is not liable to damage the reputation of the trade mark and of its proprietor.
- The importer has given notice to the trade mark proprietor before the repackaged product was put on sale and, on demand, supplied him with a specimen of that product.

The ECJ said that the conditions applied where importers attached a label to the original packaging, referred to as "over-stickering". It was for the parallel importers to prove that they had met the conditions but whether the repackaging or over-stickering damaged the reputation of the trade mark was a question of fact for the national court to decide. In so doing, the courts needed to take into account whether the goods had been de-branded by removal of the trade mark itself or whether the importers' own logo/get up was placed on goods or where the importer had failed to place the original trade marks on the goods at all. Therefore, it is now up to the Court of Appeal to decide whether the parallel importers had in fact infringed the 'pharma' companies' trade marks.

- ***CFI says 'fennel' and 'fenjal' marks dissimilar visually and phonetically and so not likely to cause confusion...***

Crisgo applied to register 'Fennel' for various cosmetics goods. The owner of the 'Fenjal' toiletries range, Grether AG opposed the application claiming that there would be a likelihood of confusion between its mark and 'Fennel' since it was within the same range of goods. The OHIM and the OHIM Board of Appeal rejected the opposition because although the goods were identical the slight similarities between the signs were offset by the differences between them. The matter went to the Court of First Instance (CFI).

The CFI found that there was no likelihood of confusion between the two marks. The CFI commented that in deciding whether there was a likelihood of confusion, it would have to make a global assessment of the marks and look at their overall impression. The relevant public was the average consumer of the EU who was deemed to be reasonably well-informed, observant and circumspect. In this case, the visual differences meant that the marks were unlikely to cause confusion. Also phonetically, they did not sound similar. For cosmetics goods, the relevant public would pay a relatively high degree of attention to the visual aspects of the

marks so the differences between them meant that there was no likelihood of confusion.