

# UPLOAD-IT - 1 June 2007

## CONTRACTS

- **House of Lords decides that a specific intention to induce breach of contract was needed for the tort of interference with a contract to succeed -**

### **Mainstream Properties v Young, House of Lords...**

Young and Broad were directors of Mainstream, a property developer. Broad was meant to find properties for Mainstream. Young and Broad set up separate companies of their own to exploit opportunities available to Mainstream.

One of the companies entered into joint ventures with a third party (X) to develop two sites identified by Young and Broad for Mainstream. When Mainstream discovered this, it dismissed Young and Broad and sued X for inducing breach of Young and Broad's contracts with Mainstream. The Court found that X had known that Young and Broad were directors of Mainstream but had been persuaded by their claims that there was no conflict of interest as Mainstream had rejected the properties. This countered the inference that X had known that Young and Broad had breached their contracts with Mainstream. Mainstream appealed.

Both the Court of Appeal and now the House of Lords found that as X had genuinely believed that there was no conflict of interest, X did not have the intention to procure a breach of the employment contracts. It was not possible to carelessly or negligently interfere with a contract. X's inducement had to be knowing and deliberate. Mainstream's claim therefore failed.

- **High Court strikes out whole of exclusion and limitation of liability clause because it was unreasonable -**

### **Regus (UK) Ltd v Epcot Solutions Ltd, High Court...**

Regus provided serviced office accommodation in the UK to various businesses including Epcot. Its agreement incorporated Regus' standard terms, which contained a clause excluding liability for 'loss of business, loss of profits, loss of anticipated savings, loss of or damage to data, third party claims or any consequential loss'. Under the relevant clause, the limit of liability for all other 'losses, damages expenses or claims' was 125% of the total fees or £50,000 (whichever was the higher).

The air conditioning was too hot and Epcot claimed breach of contract and damages for loss of business as a result. Regus denied this and relied on the exclusion and limitation of liability clause. The High Court found that Regus had been negligent and that there had been breach of contract on Regus' part. It also found that the limit of liability and exclusion clause was so wide that the High Court was not sure what other liability could fall within the limit of 125% of fees and £50,000. For that reason, the clause was not reasonable under the Unfair Contract Terms Act 1977, and so it was unenforceable, as the clause taken as a whole deprived Epcot from getting any remedy from Regus for its breach of contract (i.e. recovering any of its losses). Therefore, the whole liability clause was struck out.

- **High Court accepts exclusion and limitation of liability clause as being reasonable -**

### **Wessanem Foods v Jofson, High Court...**

Jofson provided fork-lift trucks to Wessanem. The trucks caught fire and caused damage to Wessanem's factory. Wessanem claimed that the trucks were not fit for purpose under the Supply of Goods and Services Act and the reason for this was that

the driver had not been able to stow the cables properly. This argument would have meant that Jofson had been to blame because it had not made the fork-lift trucks idiot proof. Jofson's terms of business included exclusion/limitation clauses excluding loss other than directly from Jofson's negligence (clause 6) and excluding consequential losses (clause 14) occurring from Jofson's breach of contract. Wessanem claimed that the clauses were unreasonable. It also claimed that its losses were direct losses and not consequential losses - so clause 14 did not exclude Jofson's liability for the damage to the factory and the loss of profit it suffered. Clause 14 was worded so that indirect losses including loss of profit were excluded. The clause did not expressly exclude **all** loss of profit, so only loss of profit that was caused indirectly was excluded.

The High Court found that the clauses were reasonable for the supplier to state that it was not liable other than for its own negligence and it was also normal and reasonable to exclude liability for consequential losses - particularly as the High Court said that courts should be slow to intervene with courts made between businesses. In this case, when looking at the question of reasonableness, the Court noted that the parties had done business on a regular basis and Wessanem knew of Jofson's terms of business well and liked them.

The Court went on to consider whether the damage to the factory was a direct loss resulting from a breach of contract and it decided that it was, so it would have been recoverable in this case. It also went on to consider if loss of profit from paying for replacement trucks would be recoverable as a direct loss too. The High Court commented that in this case that loss of profit would have been a consequential loss.

Paul Gershlick, editor of Upload-IT, comments: 'What counts as a direct loss or a consequential loss is interpreted differently by different judges in different cases. It is often best to specify in the contract what heads of loss are recoverable and what are excluded or limited, without relying on whether something is deemed to be a direct loss or consequential loss.'

## **COPYRIGHT AND DATABASE RIGHTS**

- ***CD Wow! not 'wowed' by High Court decision that they were parallel importing CDs...***

CD WOW!, the e-tailer, has been beaten in court by the British Phonographic Industry, the body representing major UK record labels. The High Court has recently awarded damages of £35 million and frozen the assets and bank accounts in Hong Kong of the e-tailer for parallel importing CDs.

Earlier, in March, the High Court had found that CD Wow! had breached a 2004 High Court Order which had been awarded when it settled a claim brought by BPI. The BPI took legal action in 2004 when CD WOW! had sold CDs that CD WOW! had bought cheaply in the Far East and re-sold in the UK at more competitive prices than businesses with exclusive licences to sell in the UK. The BPI's members had exclusive licences to the UK copyright in music sold on CD WOW!'s site, and the CDs were imported from outside the European Union without their consent. Such parallel imports are prohibited by the Copyright Designs and Patents Act 1988. Under the 2004 settlement, CD WOW! had agreed only to re-sell music that had originated inside the EU, which is permitted under EU laws. However, leading up to the case in March this year, the BPI found from test purchases that CDs were being obtained from the Far East again. All that had been left since March was to sort out the issue of damages.

CD Wow! has stated that it will abide by the law but plans to take its case to the European Court of Justice if it can. It has also stated that it buys its CDs that are legitimate from the record companies and it should not matter whether the distributor is based in the UK, Europe or the Far East.

- ***Google's use of thumbnail images OK with US Court of Appeals...***

Perfect 10 sells pictures of nude models online. Some third party sites make unauthorised copies of them for sale on their websites. When a person searches on Google, Google shows a thumbnail (a small picture display) of the image. A person can click on it and link to the third party website. The Google web result page also 'frames' the third party website - which means that the page directs the user's browser to display the third party website but without clearly appearing to take the user away from Google's page. Perfect 10 claimed that this was copyright infringement and Google was responsible for the copyright infringement of the host websites which showed unauthorised full sized images of its photos.

Google claimed fair use following a 2003 case brought by a photographer against Arriba Soft, another search engine. In that case, the Ninth Circuit Court of Appeals in California had said that such use was fair use. This Court also agreed with Google. It found that Google's use of thumbnails was 'transformative' under US copyright law - the use of the materials was for a purpose entirely different to the original. Therefore, the injunction which had previously been imposed on Google by the District Court was lifted, as Perfect 10 had not proved that Google's use was not fair use. The Court seemed keen to encourage search engines to provide a social benefit by providing electronic reference tools of other people's works. However, the Court of Appeals also said that Google could be helping with the infringement if it had knowledge of the infringement of Perfect 10's images and had not taken simple steps to prevent Perfect 10's copyrighted works from being further infringed. The Court of Appeals sent the matter back to the District Court to consider these issues further.

- ***Ministry of Justice issues consultation on damages for copyright infringement...***

The Ministry of Justice (the body that has taken over from the Department of Constitutional Affairs) has issued a consultation on whether punitive damages should be claimed in civil copyright infringement cases under the Copyright, Designs and Patents Act 1988. The Ministry thinks that the law should be more clear about what sort of damages can be awarded. The Act refers to 'additional' damages, which is not the term commonly used in English laws. 'Exemplary damages' are imposed to punish infringers, 'restitutionary damages' repay the victim of unlawful behaviour for their actual loss, and 'aggravated damages' are awarded for mental harm. The Ministry wants to exclude exemplary damages since the Act already criminalises copyright infringements when someone infringes with knowledge, but wants the Act to be clear. It also wants to include aggravated damages even for corporations and therefore overturn a previous Court of Appeal decision in which a company was not able to recover aggravated damages since it could not suffer distress or have injured feelings. The consultation is open until 27 July.

- ***BSA says that 35% of business software are pirate copies...***

The Business Software Alliance (BSA) has reported that 35% of software used by businesses around the world is done illegally - a figure that has remained unchanged from 2003. The BSA represents software licensors and helps them obtain licence fees for illegally copied software. Unlicensed software often arises as a result of businesses neglecting their licensing obligations and how much they should pay for permitted use. However, the BSA noted that the figures are decreasing in other countries such as China, where piracy rates have gone down from 92% to 82%

thanks to government intervention. The UK rate remains on 27%, with Western Europe generally on 36%, and the US on 22%.

- ***Revolt against DRM technology gets out of hand on community news website in the US...***

Digg – the community news website – published blogs and comments about a method to break the encryption on high definition DVDs (HD-DVDs) so that they could be used and copied without restriction. The Advanced Access Content System Licensing Administrator (the consortium behind the digital rights management (DRM) for HD-DVDs) (AACCS) sent a cease and desist letter to website operators including Digg asking them to remove all comments on this issue so as to prevent people from infringing copyright in the HD-DVDs in breach of the US Digital Millennium Copyright Act.

When Digg complied with the letter, its users became very angry and re-submitted the stories about the method to break the copyright code in their thousands. The website even collapsed under the weight of the attack at one point. Digg relented and decided to not remove the stories - instead it preferred to face the consequences of defying the AACCS's demands. So let's see what happens next...

- ***Another body joins the long list of YouTube attackers - this time the English Premier League...***

Football's FA Premier League has started proceedings against YouTube in the District Court of the Southern District of New York for copyright infringement. The Premier League claims that YouTube enables videos to be shared showing footage of games in which the Premier League owns the copyright.

Google, the owner of YouTube, claims that it has a defence (known as the 'safe harbor') under US copyright law which gives a website provider protection where it takes down infringing materials when told to do so. The Premier League argues that YouTube should not benefit from the safe harbor because it is not merely storing material for users but is encouraging and facilitating activity by creating software code to help the users share videos. This case follows hot on the heels from Viacom's claim against YouTube for \$1 billion for copyright infringement. Now let's wait and see if the courts accept the defence or not...

- ***Bizarre case of attempt to declare non-infringement of copyright in software thrown out by Court of Appeal - Point Solutions v Focus Business Solutions, Court of Appeal...***

Point developed software for financial services companies as did Focus, but Focus was the dominant player in the market. Point had helped to develop software for Focus under an outsourcing arrangement before launching a product which competed with Focus' software. Focus thought that Point had infringed its copyright in its own software in developing that product. It asked Point to confirm that it had not done so. Point denied copying but the matter was referred to an expert to determine. Point withdrew from the expert determination process as it said Focus had delayed matters. Point went to the High Court and asked for a declaration that Focus was not allowed to allege that Point had infringed Focus' copyright in its software. The High Court was asked to do this even though it had not reviewed or analysed any of the software involved. Not surprisingly, the judge refused to grant any declaration in this matter. Point appealed against the decision.

The Court of Appeal dismissed the appeal. The judge could only decide whether Point had established on the balance of probabilities, by the evidence which it had seen, that it had developed its software without copying. Point had not provided sufficient

evidence to support the claim and so its claim failed. There was nothing the Court of Appeal could do to alter the situation or help Point.

## **CYBERCRIME/SECURITY**

- ***Mega rise in phishing websites from March to April reported by anti-phishing group...***

The number of phishing websites detected by the Anti-Phishing Working Group (APWG) has increased from 35,000 in March 2007 to 55,643 in April 2007. There were 174 brands attacked and these were not limited to financial websites but included social networking sites and web-based email providers. 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.

- ***US authorities cause another American revolution and dethrone the 'Spam King'...***

One of the world's biggest spammers, Mr Robert Soloway, has been arrested on charges of mail fraud, identity theft and money laundering under US federal laws in Seattle, Washington. Known as the 'Spam King', Mr Soloway was alleged to have ordered computers known as 'zombies' to send out tens of millions of emails. Zombies are computers that have been infected by viruses to take part in unwanted cyber-activities without the knowledge of the computer user including distribution of spam (or unsolicited) emails. If convicted, Mr Soloway could face hundreds of thousands of dollars in fines and a jail term of 65 years.

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

- ***French data protection authority 'guillotines' a US business for the first time for international data transfer...***

Tyco Healthcare - a US multinational firm - has been fined €30,000 by the French data protection authority, La Commission Nationale de l'Informatique et des Libertés (CNIL), for the transfer of employee information across borders. The fine was imposed because the firm used personally identifiable information differently from its notification to the CNIL as required by the Data Protection Directive. The CNIL was particularly concerned about Tyco using the data more extensively than it had told it and the transfer of the personal data without adequate security safeguards outside of the European Economic Area. This is believed that this is the first time that a US business has been fined for breaches of data protection law in Europe.

- ***Roche Diagnostics mistakenly exposes treatment and other personal data of customers on website by mistake...***

Roche Diagnostics, the pharmaceutical business, sent its customers a newsletter and asked them to update their personal details online. When customers clicked on the link to take them to their personal details webpage they were directed to other people's contact details. The other people listed kept changing. The data included the drug treatment used by those other people.

Roche Diagnostics has not confirmed how many people were affected by the data breach and why it happened. However, it confirmed that it had fixed the problem as soon as possible. The matter has been referred to the Information Commissioner's Office, the regulator in charge of enforcing UK data protection laws.

- ***M&S is the latest victim of data thieves...***

An estimated 26,000 employees of Marks & Spencer (M&S) may be victims of identity fraud following the theft of a laptop containing the employees' salary information and personal details. The laptop had been taken from a printing company hired by M&S to write to employees about pensions. M&S is not aware of any identity thefts having occurred as a result of the security lapse. However, it has written to the employees and has offered them free credit checks.

- ***House of Lords finds that OK! was owed a duty of commercial confidence and puts full stop in Douglas/Zeta-Jones wedding photo saga - Douglas v Hello, House of Lords...***

Michael Douglas and Catherine Zeta-Jones, the Hollywood couple, gave *OK!* magazine the exclusive rights to photograph their wedding in 2003. A paparazzi photographer managed to sneak in and take some unauthorised photos and gave them to *Hello!* magazine, which published them. The Douglases claimed that this action breached their privacy rights as it stopped them from being able to manage their image as they wanted. *OK!* also claimed damages for loss of its rights in commercial confidence. Initially, the case was decided in favour of the Douglases and *OK!*. *Hello!* took the matter to the Court of Appeal. The Court of Appeal found that the information in the unauthorised wedding photos was private. The Douglases also had a right of commercial interest to exploit their private information in their wedding and could use the law of confidence to protect that right. However, the Court of Appeal said the rights in confidential or private information were not intellectual property rights and were not transferable. This was the fatal blow to *OK!* magazine, which therefore had no right to sue *Hello!* magazine. *OK!* had no proprietary rights in the confidential information. The award of £1m damages to *OK!* was overturned. *OK!* was left to pay *Hello!* £3m in costs for losing this long-running case.

*OK!* took the matter to the House of Lords. The House of Lords found in favour of *OK!*. It decided by a majority that the photographer who had taken the unauthorised photos was in breach of confidence. *OK!* had paid £1 million for the benefit of the obligation of confidence imposed by the Douglases on all present at the wedding and there was no reason why it could not enforce it. The House of Lords thought that the obligation of confidence existed even for people such as the photographer who had not explicitly agreed to it. *Hello!* was bound by that obligation of confidence too because of the nature of the circumstances in which it obtained the photographs. *Hello!* knew that the information it was receiving was valuable - otherwise why would it pay the photographer a lot of money to obtain it? The dissenting Law Lords questioned whether information that was intended to be published should still be protected by confidentiality obligations. However, because of the value of the information, the House of Lords allowed the obligation of confidentiality to be extended in this way. In so ruling, the House of Lords allowed each photograph to be bound by an obligation of confidentiality, even if other information about the wedding was not confidential or had been released into the public domain (including through the photographs published by *OK!*).

The House of Lords also made landmark rulings about the 'tort' of interference with a contract and interference by unlawful means as *OK!* had claimed that *Hello!*, by publishing the 'spoiler' photos, had interfered with its business by unlawful means. The House of Lords decided that for these 'torts' to succeed, the defendant had to

have knowledge of the relevant act that would cause the interference and an intention to interfere. Also, they interpreted 'unlawful means' narrowly so that only actions for which a person can sue in the civil courts would be considered to be 'unlawful means'.

- ***Information Commissioner warns against dangers of excessive surveillance...***

The Information Commissioner, the regulator in charge of enforcing the Data Protection Act 1998 in the UK, has proposed new safeguards to protect privacy in the face of increased initiatives to keep people under surveillance. The Commissioner has suggested inspection powers are given to his Office (the ICO) to ensure compliance with the Act without the need to ask the organisation under investigation for consent. The Commissioner is also calling for organisations to carry out privacy impact assessments so that they consider the effect new surveillance equipment has on privacy before actually installing it. He also commented that there should be a big debate about surveillance including and where the lines should be drawn and what safeguards are needed.

- ***Information Commissioner decides to regulate information-sharing by public bodies with a light touch...***

The Information Commissioner's Office (ICO) - the regulator in charge of enforcing data protection laws in the UK - has issued detailed guidance on information sharing by public bodies. The ICO wants public bodies sharing information to strike a balance between the benefits of sharing the data and also protecting individuals whose personal information is shared. The guidance includes the following recommendations:

- ensuring that the information-sharing is supported by a sound business case and a privacy impact assessment (if appropriate). The privacy impact assessment will need to ensure that the information-sharing is justified on the basis that the benefits outweigh the risks of negative effects to individuals.
- ensuring that public bodies remain within the boundaries of the reasonable expectations of affected individuals as to the way in which their data will be processed.
- ensuring the threshold for sharing sensitive information, for example relating to health issues, is greater than for other information.
- anonymising data where possible so that it does not identify living individuals.
- taking measures to inform individuals if their information is shared.
- keeping the information accurate, up-to-date and secure.

- ***Court of Appeal refuses to grant Lord Browne an injunction to prevent newspaper publishing information discussed in his personal relationship that was in public interest – Lord Browne v Associated Newspapers, Court of Appeal...***

Lord Browne, the former chief executive of BP, applied for an injunction to stop *The Mail on Sunday* newspaper from publishing information disclosed by his former boyfriend. He claimed the information related to things for which he had a reasonable expectation of privacy and the information had been communicated to journalists in breach of the obligation of confidence arising out of his intimate personal

relationship. It emerged that Lord Browne had lied in three witness statements submitted during the hearing and this may have affected the courts' decision.

The High Court refused to give him the injunction for matters about the relationship, or his discussions of confidential BP matters with his boyfriend and the misuse of BP resources for Lord's Browne's former boyfriend. Lord Browne appealed.

The Court of Appeal weighed up Lord Browne's right to privacy and the newspaper's right to free speech under the Human Rights Act 1998 and said they had to be balanced. It found that it was in the public interest for BP shareholders and directors to know about the misuse of BP resources and the discussion of confidential BP matters. The relationship between Lord Browne and his former boyfriend also had to be disclosed - otherwise the other facts would make no sense.

## **DEFAMATION**

- ***Mumsnet settles Gina Ford defamation case due to lack of clarity in UK laws of speed required to remove allegedly defamatory material...***

Gina Ford, the author of several books about strict baby routines, sued the Mumsnet website for various comments made about her by website visitors on the comments section on the website. The website has now decided to settle the matter by apologising and making a payment to Gina Ford. The reason behind the decision is a lack of clarity in libel laws as Mumsnet did not know how quickly it had to remove an allegedly offending or defamatory statement when asked to and it did not want to go to court over this matter and risk losing. Most sites that have a discussion board do not check users' posts before they are posted and risk similar problems.

The Defamation Act 1996 and the so-called E-commerce Regulations state that if someone posts a comment that is defamatory, the website operator will not be responsible as long as it removes the comment 'expeditiously' on receipt of an objection. However there is no specific guidance as to what 'expeditiously' means. The Terrorism Act 2006 requires website operators to take down certain material relating to terrorist offences within two days of receiving notice from the police or they could face up to seven years in prison. In the Mumsnet case, the website took down most material within 24 hours but some was left up for just over 24 hours. Mumsnet decided to settle because of the legal uncertainty but it bemoaned the fact that it still took the material down fairly quickly and it did not have access to round the clock legal advice.

## **DESIGN RIGHTS**

- ***Danone gets the hump over a person's unauthorised use of Danone's registered trade mark in a registered design application...***

A certain Zygmunt Piotrowski applied to the EU's design Registry for a European Registered Community Design (RCD) right for packaging intended to hold three bottles together. However, the design representation published in the Community Design Bulletin showed his product holding together three bottles of Danone's 'Danviva' drink.

Danone naturally asked the Registry to have the application invalidated under the relevant Community Design Regulation. Not surprisingly, Danone won. After

establishing that Danone did have registered trade marks that corresponded to those shown in the application for the RCD, Danone was entitled to stop use by third parties under European trade mark law and so the RCD application could also be stopped. Piotrowski's argument that Danone's products were not part of the design failed since the Registry said that everything depicted in images representing the design constituted part of the design unless specifically disclaimed.

## **EMPLOYEES**

- ***More than a third of bloggers risk dismissal because of their blog entries about their employer and colleagues...***

More than a third of bloggers risk being dismissed by posting negative statements about their job, employer or colleagues. Croner - the human resources services provider - commissioned YouGov to survey 2,000 people who kept a blog and found that 39% of them admitted to making negative statements about their job, employer or colleagues. Croner warned that bloggers should consider the impact of their statements on the corporate image of their employers because if this is damaged they could be breaching the implied term of mutual trust and confidence that exists between an employer and employee and they could be dismissed for gross misconduct.

Paul Gershlick, editor of Upload-IT, comments: 'In order for employers to be sure of their ground when they want to take action against employees who post negative comments about them or other staff, employers should have an IT and Internet use policy that makes clear what people can and can't do and the sanctions for breach. Otherwise, they could find themselves in an employment tribunal for unfair dismissal or on the receiving end of a complaint from another member of staff.'

## **GENERAL IP**

- ***European Parliament and Council of Ministers agree text of 'Audio-Visual Media Services Directive'...***

The European Parliament and Council of Ministers have agreed the text of the 'Audio-Visual Media Services Directive' (AVMS Directive) to update the 1989 Television Without Frontiers Directive. 'Audio-visual media service' relates to any service whose main purpose is to provide moving images in order to educate or entertain using electronic communication networks. The Directive will extend regulation to all audio-visual media services regardless of how these are transmitted. The AVMS Directive regulates not just regular TV but also IPTV (internet protocol television), mobile TV (television delivered via mobile phone), webcasting and near video-on-demand.

Although all services covered by the AVMS Directive would be covered by at least the basic level of regulation, 'linear services' (scheduled services) would have additional regulation than would be the case for 'non-linear services' (on-demand services where users decide when the programme is transmitted to them).

The AVMS Directive will relax the rules so as to allow product placements (advertising certain products by placing them in television programmes as a part of the props).

The new Directive has been controversial because of its extension beyond traditional television. It had been originally feared that the Directive would cover podcasting and amateur videos posted on video-sharing sites such as YouTube. Podcasting is the distribution of digital media files over the Internet for playback on portable media

players and personal computers. However, the European Commission has calmed those fears and said that it only covers television services and not all audiovisual content on the Internet. The Directive expressly makes clear that it does not catch online gambling, gaming, blogging, and user-generated videos and personal websites with no economic or mass media impact.

The Directive is expected to come into force by the end of 2007. Member States will then have two years from then to implement the Directive into their national laws.

## **IT AND INTERNET USE**

- ***High proportion of IT professionals spy on colleagues and other information on IT systems they shouldn't see...***

A third of IT workers have admitted that they view confidential information of their colleagues using special administrative passwords. The survey was carried out by Cyber-Ark, a data security firm, which questioned 200 IT professionals at this year's Infosecurity Conference in London. One third also admitted to having access to their employer's systems even after they had left their employment. More than half admitted that they kept their administration passwords on post-it notes. 8% also stated that administrative passwords for critical systems were never changed. This is a significant finding as the use of administrative passwords was the most common way for hackers to break into a business's network.

- ***UK online sales to reach £28 billion by 2011...***

Online sales in 2006 increased by 34% to nearly £11 billion in the UK, according to Verdict Research, the UK retail analyst. Verdict says the increase was a result of cheap broadband access.

While some retailers such as Asda, B&Q, M&S, Tesco and Woolworths have ramped up their online presence, Verdict Research found three types of retailers which are set on staying off-line. Firstly, food retailers such as Morrisons and Somerfield are deterred by the strength of the online competition. Secondly, value retailers such as Primark, Matalan and Peacocks, need high volumes of sales from their stores rather than selling online. Finally, small specialists without the cash to invest in an online presence have also stayed away from Internet sales. Verdict also predicts that online sales in the UK will reach £28.1 billion by 2011, which will be 8.9% of all retail sales. It expects the average online shopper to spend over £1,000 per year online by then.

- ***Keele University refuses to 'keel' over because students post negative statements about its staff on 'Facebook' and 'MySpace'...***

Keele University has warned its students that they face disciplinary action if they post statements attacking staff on social networking websites such as 'Facebook' and 'MySpace'. The University is introducing a new acceptable use policy to prohibit students from posting what they like on social networking sites about its staff members. Further, the University has warned students that they could be sued for libel or harassment for making statements about other people on the website.

Legal action over similar postings has already taken place. Jim Murray, a former teacher, sued an ex-pupil for libel - and won - over comments posted on Friends Reunited, an early British social networking site.

## **JURISDICTION**

- ***EU Parliament and Council of Ministers (finally) settle their differences on the rules that will govern non-contractual cross-border disputes...***

The European Parliament and the Council of Ministers have been in dispute over the rules that govern where a cross border dispute is to be heard in situations other than contracts. Typical non-contract disputes are road traffic cases, product liability, environmental damage and defamation. The proposed Rome II Regulation had previously included defamation and said that those cases should be heard in the country of publication and not where the subject of the article lived. However, the defamation issue has been removed from the proposed Regulation so that the Parliament and the Council of Ministers could agree on the rest of the Regulation as a whole. Once the Regulation is finally agreed, it will automatically become law several months later in the EU Member States - currently predicted to be sometime in 2009.

## **TRADE MARKS AND PASSING OFF**

- ***High Court found no truth in claim that 'Mythbusters' TV programme was passing off 'Mythbusters' books – Andrew Knight v Beyond Properties Pty Ltd, High Court...***

Mr Knight had written children's books incorporating the word 'Mythbusters' in their titles. He promoted them in the UK and other countries including making a limited number of short television appearances where he investigated a local legend or myth. The promotions stopped in the UK after 1996. Beyond Properties Pty Limited ('Beyond') produced and distributed a television series called 'Mythbusters', which was first broadcast in the UK in 2003 and was aimed at the 'dads and lads' market. Mr Knight claimed that the series was passing off as being linked to his books, on the basis that members of the public had come to understand that the word 'Mythbusters' referred to his business and goods.

For a passing off action, the claimant must show that it has goodwill, the defendant has made a misrepresentation based with the claimant's goodwill, and this has caused loss to the claimant (for example from customers being confused). In this case, the point at issue was whether 'Mythbusters' was descriptive or whether it was capable of generating goodwill. The High Court found that the term had in fact originally acquired a secondary meaning and had been sufficient to create goodwill for Mr Knight in the context of use as a series of book titles. Mr Knight had built up a sufficient reputation in the term for goodwill and the name described what was in the books but not the books themselves. However, by 2003, much of that goodwill had diminished. The High Court reviewed Mr Knight's promotional activities in 2003 and also did searches on the Internet and this showed that there was not much of Mr Knight's reputation left in the name 'Mythbusters'. Therefore, his claim for passing off failed as he did not have sufficient goodwill at the time of the alleged infringement.

- ***CFI says that registration of 'NASDAQ' mark would take unfair advantage of the US stock market's registration of the same mark - Antartica Srl v Office for Harmonisation in the Internal Market, CFI...***

Antartica applied to register a figurative sign 'NASDAQ' as a European Community trade mark for mountain bikes, sports clothing and sports equipment including

helmets. The Nasdaq Stock Market Inc. opposed the application, stating that it had registered a similar earlier EU trade mark for the word 'NASDAQ' which had a sufficient reputation, and the subsequent application would, without due cause, take unfair advantage of or be detrimental to, the distinctive character of its own registered trade mark. Its trade mark had been registered for IT related matters, stock market exchange services, financial services and telecommunications and business matters.

Initially, Nasdaq's opposition was thrown out, but it was upheld on appeal. Antartica then appealed to the European Court of First Instance. The CFI sided with Nasdaq. The questions argued were firstly as to whether Nasdaq had a sufficient reputation in the EU. The CFI agreed that it did. Nasdaq had a sufficient reputation among not just professionals in the financial markets but also a large part of the general public who were interested in financial indices and the name appeared frequently in the media. The second issue was whether the use took unfair advantage or was detrimental of the distinctive character of the mark. The CFI agreed that the applicant was seeking to 'free-ride on the coat-tails' of the earlier famous mark and therefore not have to spend money on advertising to draw attention to the public of its goods. It also found that Antartica had specifically decided on the name due to the name's existing reputation in order to reflect the high-tech nature of its products.

## **TELECOMS**

- ***New era dawns as ICSTIS's stricter rules on call-TV quizzes come into force...***

Rules regulating call-TV quizzes issued by the Independent Committee for the Supervision of Standards of the Telephone Information Services (ICSTIS), the body that regulates premium rate charged services in the telecommunications sector, has come into force.

The rules are as follows:

- Viewers must be shown the total number of callers in the preceding 15-minute period. This must be updated every 10 minutes.
- The price of calls has to be read out every 10 minutes.
- Viewers must be warned every time they spend at least £10 a day.

The change in rules follows investigations into various television phone-ins where people pay a premium number with a chance to participate in television programmes or vote on them. It also follows a negative report issued by MPs on the unfair terms of the phone-ins. The aim of the new rules is to give viewers a better understanding of their chances of winning and the costs involved.

## **UNSOLICITED COMMUNICATIONS**

- ***Tiscali targeted by spammers...***

Tiscali, the Internet service provider, has claimed that spammers knocked out its email service. It says other Internet service providers blocked emails coming from Tiscali subscribers on the basis that spammers have used Tiscali email addresses to send their unsolicited emails. Tiscali would not reveal how many of its 1,800,000 UK email service users were affected by the 'downtime'. Tiscali has said that it was changing its hardware and installing new spam filters which would take seven to 10

days to take effect. Spam experts such as Spamhaus (a not-for-profit company that tracks spammers) have expressed surprise that the problem was caused by spammers as it had not recorded anything that would cause a mass-blocking of emails - unless the spammers had targeted just one or two specific networks. Embarrassingly, Tiscali has advised its users to use alternative free email services to send important mail.