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Competition Law

US Department of Justice investigates IBM over allegations of anti-competitive behaviour...

The US Department of Justice is investigating IBM over allegations of anti-competitive behaviour. Reports of the investigation have come from Computer and Communications Industry Association – a computer industry trade body – which claims that it prompted officials to look into IBM's practices. CCIA has accused IBM of taking away software licences from businesses which do not also buy its hardware. IBM has denied the allegations but has said that it will co-operate with any investigation.

It is not necessary to show consumer detriment when showing an agreement had the object of distorting competition – GlaxoSmithKline v Commission, European Court of Justice...

Glaxo's Spanish subsidiary notified conditions relating to the sale of its products to Spanish wholesalers, to the European Commission for confirmation that they did not infringe Article 81 of the EU Treaty. Article 81 prohibits agreements which have as their object or effect the restriction or distortion of trade between EU Member States. (The process of notification for clearance applied at the time that this case started in 1998, but no longer applies.) The conditions established a dual pricing system. Wholesalers bought products from Glaxo at a price no higher than as was established by the Spanish health authorities, but they had to pay higher prices for products intended for sale outside of Spain. The European Commission said that Glaxo had infringed Article 81 by having an agreement which distinguished between the prices charged in different Member States.

The European Court of First Instance upheld the Commission's decision in part, and the European Court of Justice has now followed suit. The ECJ, though, criticised some of the reasoning given by the CFI. Where an agreement had an anti-competitive **object**, as here (because the agreement sought to strengthen national divisions between markets, contrary to the objectives of the EC Treaty), it was not necessary to require there to be proof of anti-competitive **effects** on anyone. The ECJ added that Article 81 aimed to protect not just the interests of competitors or consumers but also the structure of the market and competition as a whole.

Contracts

Arbitration clauses can be void if they prevent an agent from benefiting from the EU's Commercial Agents Directive – Accentuate v Asigra Inc, Court of Appeal...

Y was a Canadian software company. It entered into an agreement with X, an English company, for X to distribute Y's software. The agreement contained a choice of law clause of Canadian law and it said that all disputes had to be heard by arbitration in Ontario. X informed Y that it believed it was an agent and benefited from the protections given to commercial agents under the EU's Commercial Agents Directive, including for compensation on termination of the agreement. Y proceeded to obtain an arbitral award in Ontario, which ruled that the Commercial Agents Directive did not apply.

X applied to the UK courts. The High Court ruled in X's favour. It said that X was arguably an agent within the meaning of the Commercial Agents Directive rather than a distributor. On that basis, it was already established law that its rights under that EU law were mandatory and could not be circumvented by choosing a different country's laws. However, this judgment went further and ruled that choice of forum (such as arbitration here) would also be void where it stopped the agent from being able to claim their mandatory EU law rights. The Court ruled that X's rights would not be defeated by the choice of law or venue in the contract.

Paul Gershlick, editor of www.Upload-IT.com, comments: 'This case shows that laws in some countries may be mandatory and over-ride the parties' abilities freely to choose which country's laws govern the contract and provisions detailing where any disputes should be heard. It emphasises the importance of always getting advice from local lawyers, even if the contract does not say that the local law applies.'

Distributor in breach for failing to use all reasonable endeavours to promote the products, and it could not argue that the contract had been novated to other group company – CEP v Steni, High Court...

S made cladding panels for use in building construction. It appointed H as its exclusive UK distributor for 20 years. After six years, S gave notice to H to terminate the relationship for H's alleged breach of the distribution agreement by 'failing to use all reasonable endeavours to promote S's products.' H and C claimed that the contract had already been novated by H to C and that S's purported termination was itself in breach of contract. H and C claimed damages. The High Court sided with S. There had not been any novation, and H was in breach of contract by failing to use all reasonable endeavours. S had correctly terminated the contract. Further, S was entitled to claim damages of £125,00 in respect of its counterclaim.

Paul Gershlick, editor of www.Upload-IT.com, comments: 'As soon as one party terminates a contract for the other party's purported breach, things can become black and white. Either one party was in serious breach and the other is entitled to terminate; or the first party's breaches were not so bad and the other party is not entitled to terminate, and that purported termination then becomes a serious breach. It's always far more preferable in contracts to seek to define clear requirements such as monetary figures for performance targets so that everyone knows where they stand. Where it is not always possible to define everything to the nth degree then words like 'reasonable' should be used, although as this case shows those words can often lead to arguments over their interpretation.'

Contracting parties can continue to exercise rights under contract including right to terminate, even if dispute resolution process has started – Ericsson v EADS, High Court...

C contractually agreed to provide D with software and IT services. The dispute resolution clause in the contract provided for mediation and adjudication. A dispute arose. C suggested mediation, to which D agreed. D also gave notice of material default and required C to correct. C gave notice requiring adjudication. D gave notice of termination when the material default had not been corrected. Each party objected to the action taken by the other party. C sought an injunction to prevent D terminating until the adjudication process had been completed; meanwhile, D sought an injunction to prevent C going to adjudication while mediation was still in play.

The High Court refused both injunction requests. Unless there was very clear wording in the contract to the contrary: the dispute resolution process did not stop a party exercising its contractual rights including the right to terminate; and different dispute resolution mechanisms provided for in the contract were not mutually exclusive.

'Subject to Contract' wording does not always work, and once lifted it can't be reinstated – Jirehouse v Beller, High Court...

This case surrounded the use of the words 'subject to contract' in correspondence and discussions leading up to an agreement. A binding contract is not formed until the parties intend to enter into legal relations. Those specific words are often used in discussions to show that there is no intentions yet to be bound. However, as this case shows, using them is not foolproof. This case surrounds an agreement of a settlement to a dispute, but the same principle applies as with entering into any other agreement.

In this case, the parties were negotiating the settlement before the imminent commencement of a trial. In the days leading up to the trial, there was intense negotiation over the words of the proposed settlement. At each occasion, words such as 'subject to contract' and 'without prejudice' were used. The correspondence also stated that the words of any settlement needed to be carefully drafted and therefore anything was 'subject to contract' until the documents were executed. There were then further emails to discuss the proposed settlement terms, culminating in a final telephone discussion during which agreement over the form of words was finally reached and the parties congratulated themselves on having reached agreement. Very soon after, one party sent an email that was no longer marked 'subject to contract' and referred to the conversations the previous evening when 'agreement was reached'. Formal settlement documents were sent for signing, and both parties stood their legal representatives down and the court's listing office was told that the case had been settled. However, a couple of days later, one party claimed that since the documents had not yet been executed, the matter had not actually settled yet and claimed an extra £25-30,000. Needless to say that claim did not go down too well and the initial dispute then turned into a further dispute over whether that original one had been settled. The court has now ruled on the further dispute.

The High Court said that the negotiations between the parties could only have been understood to have taken place on the basis that the 'subject to contract' restriction would no longer apply once the discussions concluded and the agreement of the wording was reached. This was a necessary implication. The parties' actions at that point and then in removing their lawyers so that they could work on other cases and in informing the listing office backed this up. All that needed to be done was to record in

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a signed document what had already been agreed. It was not a big written exercise because the wording had already been intensely negotiated. The parties had behaved as if all had been agreed and signing a document was just a formality. When parties instruct their lawyers to settle just before trial it can only be on the basis that if there is an agreement then any 'subject to contract' umbrella previously used is lifted. There is no point in negotiating just before trial if someone else is then able to go away and pull out to obtain an advantage before the documents are signed.

The High Court added that the 'subject to contract' umbrella was lifted here when the parties had clearly reached agreement. This was a necessary implication. Once that umbrella had been lifted, it could not be reinstated. The judge added some deeply concerning words for anyone who uses 'subject to contract' and 'without prejudice'. He said he did not think either party seriously had in mind those phrases by the end despite wording in their previous emails. It was a simple repetition of a phrases appearing in earlier emails without thinking whether they still applied. 'The old observation that solicitors' typewriters had 2 extra keys marked 'subject to contract' and 'without prejudice' is not without a modicum of truth. In my view that is the way in which those 2 emails should be considered.'

Paul Gershlick, editor of www.Upload-IT.com, comments: 'This case does not mean that the phrase 'subject to contract' should not be used. It is still a very useful tool to use to show an indication of the parties' intentions not to be bound. However, the actual actions of the parties are even more important. If, despite using that phrase, the parties clearly intend to be legally bound, that phrase will not help.'

Copyright and Database Rights

Man sentenced to three years in jail for selling pirated software on eBay...

A man has been sentenced to three years in jail for selling pirated software on eBay, the popular auction site. The US court also ordered Gregory Fair to pay Adobe Systems US\$740,000. Undercover investigators had made several purchases from Fair after Adobe had reported their suspicions. This is living proof that people can get tracked down and sent to jail for conducting unlawful activity on the web.

BSA steps up efforts to stop pirated software...

The Business Software Alliance has dramatically increased the amount of take-down notices to people whom it believes is distributing pirated software. In the first six months of 2009, the BSA issued 2.4 million notices to people suspected of illegal file-sharing, more than triple the number that it issued in the corresponding period for 2008. It also targeted Internet auction sites after finding issues with nearly 20,000 auctions during the first half of 2009. The BSA claims that about two-fifths of all software on PCs are obtained illegally and publishers are being short-changed by about \$53 billion by lost sales. It also warned that users of illegal software should be wary because viruses and other malicious software are often distributed with the pirated versions. The BSA is a group representing leading software licensors which collects underpaid licence fees on its members' behalves.

Continuing to offer digital back issues of newspapers infringed photographer's copyright – Grisbrook v MGN, High Court...

Alan Grisbrook, a freelance photographer, supplied photographs to Mirror Group Newspapers for many years. After they had a dispute, he revoked his copyright licence for their continued use. Some of his old photos appeared in back issues which MGN continued to make available to people to obtain digitally. Grisbrook argued that this infringed his copyright, as the licence had terminated. The High Court agreed with him. Grisbrook conceded that MGN could store his photos in their own archive and even supply overrun printed back copies, but it could not supply new copies of old editions featuring his photos as that would be a new copyright use each time.

Paul Gershlick, editor of www.Upload-IT.com, comments: 'This would cause a massive headache for newspaper publishers. If one contributor is able to stop them from supplying their photos in digital back copies, this could have the effect of preventing the whole back issue from being supplied again, unless the publisher incurs expense in re-jigging the original version.'

EU allows P2P file-sharers to have their Internet connection cut off – but is it already too late?...

The European Parliament has removed a proposed amendment to draft telecoms legislation which would have made it difficult for EU Member States to allow peer-to-peer file-sharers from having their Internet connection cut off without a court order. The argument in favour of protecting people's rights to connect to the Internet was that it had become a fundamental right. However, Parliament has decided not to object, and this is in line with recent French legislation which envisaged file-sharers to have their Internet connection cut off for up to a year. The new position would now mean that Internet service providers could cut off users without needing a court order. But the question is whether this is already too little too late? Copyright infringement of music other

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than through networks has been rising. When music is copied by instant messaging, email, music blogs and Bluetooth, debating the regulation of illegal copying over the networks may be too late as technology has already been moving on.

Deceased artists' families will not benefit from artists' resale right until at least 2012...

The Artist's Resale Right Regulations 2006 came into force in February 2006. For more on those Regulations, click here: <http://www.upload-it.com/editArticle.aspx?ID=1327>. Essentially, though, those Regulations protect the creators of any work of graphic or plastic art such as a picture, collage, painting, drawing, engraving, print, lithograph, sculpture, tapestry, ceramics, glassware or photograph so that they can enjoy a proportion of profits made when their works are re-sold in a transaction involving art market professionals. That law was not going to come into force in respect of deceased artists until at least 1 January 2010. That commencement date for deceased artists' works has now been deferred until 1 January 2012.

Cybercrime/Security

Spam emails containing viruses reaches record level...

The number of spam emails containing viruses has reached a record level according to Google. The firm that manages Google's email security and archiving, Postini, reportedly blocked more than 100 million viruses every day. In its spam report for the third quarter in 2009, Google stated that it took very few users to open fake notices for spammers to add hundreds of computers to their botnets every day. 'Botnets' are networks of hijacked machines that are used to send large amounts of spam (or unsolicited) emails, orchestrated denial of service attacks, viruses or for other cybercriminal activity. Spam levels generally have remained relatively unchanged making up 90% of the total message volume, level with the same quarter in 2008 and down from an average of 95% in the second quarter of 2009.

Businesses fail to report cybercrime amid fears of business disruption...

Businesses are failing to report cybercrime because of fears that a police investigation will result in a greater loss to business than the crime itself. As well as concerns that day-to-day business will be disrupted, many organisations worry that they will lose customers if they find out that security has been breached. According to the chair of the e-Crime Wales Steering Group, Detective Chief Superintendent Chris Corcoran, fears that police will take away computers are unfounded. All that is required is for the police to take an image of the data to carry out their investigation. Corcoran urged businesses to report e-crime, stating: 'We can assure them that our e-crime investigations are carried out quietly and covertly.' To facilitate reporting and take down cybercriminals, an easy-to-use e-crime reporting system has been launched on the e-Crime Wales web site.

Data Protection/Privacy/Confidentiality

Police forces and not data protection regulators should be able to decide how long it's appropriate to keep old criminal convictions data – Chief Constable of Humberside Police v The Information Commissioner's Office, Court of Appeal...

The Court of Appeal has said that it should be up to the police rather than the Information Commissioner's Office (the UK's data protection regulator) to decide how long to keep details of old convictions. Under the Data Protection Act 1998, personal data must not be kept for longer than necessary. The ICO objected to how long some police forces had kept certain data on police records. It said that those police forces should have deleted those data, and this could have led to the police having to delete about one million records from their system. However, the Court of Appeal sided with the police and said that police judgements about their operational needs should only be lightly interfered with by the ICO. If the police reasonably believe that convictions - no matter how old and minor - are of use to their work, then that is the end of the matter, according to the Court. For example, a girl had been told that her criminal conviction would be deleted when she reached 18, but this did not happen. The Court said this was not unfair.

For more on some of the particular objections that the ICO raised when the case originally arose, please click here: <http://www.upload-it.com/editArticle.aspx?ID=2341>.

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Newspaper accepts that publication of Madonna's wedding photos eight years after the big day invaded her privacy...

Associated Newspapers – the publisher of *The Mail on Sunday* – has accepted that it had invaded Madonna's privacy and infringed her copyright when it published photographs taken at the star's wedding. *The Mail on Sunday* published the photos, taken of Madonna and Guy Richie's big day at Skibo Castle in 2000, when the couple's divorce was announced in October 2008. The photographs had been copied from Madonna's personal album by an interior designer and sold to the paper by an intermediary in June 2008. Associated Newspapers reached an out of court settlement with Madonna for undisclosed damages.

Ministry of Justice consults on custodial sentences for those involved in the unlawful trade of personal data...

The Ministry of Justice has commenced a consultation on the introduction of custodial sentences for the misuse of personal data. It is an offence under the Data Protection Act 1998 to knowingly or recklessly obtain or disclose personal data or to procure its disclosure, without the consent of the data controller as is selling or offering to sell data which is obtained or disclosed in such circumstances. However, at present the penalty on summary conviction is a fine not exceeding the statutory maximum (currently £5,000) or on conviction on indictment an unlimited fine. The Home Secretary has the power to increase those penalties, after consultation, to a maximum of 12 months' imprisonment and a fine up to the statutory maximum on summary conviction, and two years' imprisonment and an unlimited fine on indictment. The government is proposing to set the penalties at that upper limit on the basis that the introduction of the increased penalties are necessary:

- To provide a greater deterrent to those who breach the DPA;
- To provide public reassurance that those who are successfully prosecuted may, depending on the gravity of the offence, be sent to jail; and
- To achieve parity of approach with other pieces of legislation which deal with similar types of offences.

In its consultation, the government has indicated that it considers it would be those responsible for large-scale abuse of personal data or repeat offenders who would be most likely to receive custodial or community sentences rather than those engaged at a lower level for whom a fine may be a more appropriate punishment.

The government intends to introduce the new penalties in April 2010, together with a new defence for journalists who obtain or disclose personal data for journalistic, literary or artistic purposes with a view to publication of such material and in the reasonable belief that the publication is justified as being in the public interest. The changes are also set to coincide with enhanced powers for the Information Commissioner's Office to serve monetary penalty notices on data controllers for serious breaches of the data protection principles.

The consultation will end on 7 January 2010. A copy of the consultation paper can be viewed by clicking here: http://www.bps.org.uk/publications/consultation-papers/consultation-papers_home.cfm?frmAction=details&paperID=860&RegionID=0&iYear=0&open=true.

Parliament group looks to have better privacy laws to regulate behavioural advertising...

The All Party Parliamentary Communications Group has called for a change in laws to better regulate online behavioural advertising. They would like a law that makes it illegal to monitor and target Internet users based on their surfing habits unless they give their explicit, informed consent. Although opt-out would be better for those involved in the industry, the Parliamentary Group feels that this does not adequately protect people's privacy rights. The news comes just as the Office of Fair Trading has said that it is investigating whether behavioural advertising practices were unfair to consumers.

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Defamation

Qualified privilege defence cannot be relied on once allegations have been found to be unproven – Gary Flood v Times Newspapers, High Court...

A defence of publication in the public interest (qualified privilege) could not be relied on once the allegations to which the defence was raised were found to be unproved, said the High Court. *Times Newspapers* published an article in one of its newspapers and on its web site alleging that there were strong grounds to believe, or reasonable grounds to suspect, that Gary Flood had abused his position as a police officer by accepting bribes from some of Russia's most wanted suspected criminals in return for highly confidential Home Office and police intelligence about attempts to extradite those suspects to Russia to face criminal charges. At the time of publication, Flood had been the subject of an internal police investigation and the police had confirmed that they had sufficient evidence to obtain a search warrant and carry out that investigation. Flood brought a claim against the newspaper, which sought to rely on the defence of qualified privilege.

The High Court ruled that it was no longer the law that any doubts should be resolved in the favour of publication and neither freedom of expression nor reputation had any presumptive priority. The High Court found that it was a matter of high public interest that an investigation was being carried out at that time into police corruption by wealthy foreign residents and that naming Flood had the legitimate aim of adding credibility to the story. These factors, amongst others, weighed in favour of the right to freedom of expression. The publication of the article had been a proportionate interference with Flood's right to his reputation, given the legitimate aim in pursuit of which the publication had been made and the defence of qualified privilege succeeded in respect of the publication. However, once it was known to the newspaper that there would be no formal disciplinary proceedings against Flood and that he had returned to normal duties, the failure to remove the article from its web site or to attach a suitable qualification was irresponsible on the part of the newspaper. The High Court ruled that, from the time of that knowledge, the newspaper could not rely on the defence as it was not in the public interest that there should be a record on the Internet of old allegations and it was not fair to Flood.

Domain Names

Non-Latin-script domain names to be allowed...

The International Corporation for Assigned Names and Numbers ('ICANN') - the body responsible for regulating the Internet's addressing system – has agreed to allow non-Latin-script domain names to be registered. This will make using the web easier for over half of the people who use it, such as Chinese and Arab speakers. The first non-Latin names could be used by the middle of 2010. Some countries like China and Thailand already operate workaround solutions to allow users to enter web addresses in their own language, but there is no internationally approved system that works on all computers.

E-Commerce Laws

E-money gets new lease of life with less strict rules...

The European Union has published a new Directive to replace the previous E-Money Directive from eight years ago. The aim of the Directives is to set up a market for virtual currency to be used in electronic and mobile transactions. The original Directive was seen as too strict and did not have a significant enough impact, and so it is being replaced. For example, an issuer of e-money will need less capital: €125,000 rather than €1m. The new Directive must be implemented by each Member State of the European Union by 30 April 2011.

Employees

Court of Appeal highlights importance to look at what actually happens in practice and not just what contract says, when determining whether someone is employed or a self-employed service provider – Autoclenz v Belcher, Court of Appeal...

Autoclenz had a contract to valet cars for British Car Auctions and it provided people that it called self-employed valet subcontractors and issued them with subcontracts. In line with those people being self-employed, the subcontracts called them subcontractors, said that valeters could provide substitute people and there was no mutuality of obligations (such that neither Autoclenz nor the subcontractors were obliged to offer or accept any work). The workers worked on the BCA site, wore BCA

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uniforms, submitted invoices to Autoclenz for the work they actually did and paid their own tax and national insurance; Autoclenz paid for insurance cover to cover all workers, and provided cleaning materials. Taking everything into account, in 2004, HMRC decided that the workers were genuinely self-employed subcontractors. However, the workers later claimed that they were really employed and were entitled to employees' benefits at law.

The Court of Appeal took a different view from HMRC and ruled that they were really employees. The court's job was to determine the actual legal obligations of the parties. The starting point would be to consider the written contract terms, but it should also examine what the parties' expectations of the others were and how they conducted themselves in practice. The mere fact that a contractual right of substitution is never used does not mean that it is not genuine. However, here, the supposed right to refuse work and right of substitution were not genuine because of what actually happened in practice. Valeters were expected to turn up to work unless they gave proper notice and the substitution clause was not genuine.

Interception of Communications

European Commission threatens UK with court action for failure to implement e-privacy laws...

The European Commission has announced that it is continuing to take the UK to the European Court for failure to properly implement Directives that protect people's online privacy rights. The Commission started action against the UK in April, and it has now decided to continue after seeing the UK's response. The Commission says there were three failures:

- ◆ There was no independent national authority to supervise interception of communications.
- ◆ Interception of communications should only be where people have freely given, specific and informed consent. However, the UK law (the Regulation of Investigatory Powers Act 2000) allows interception where the interceptor has reasonable grounds to believe that the person has opted in to have his or her message intercepted.
- ◆ EU law requires sanctions against any unlawful interception, but the RIP Act only provides sanctions for intentional interception.

The issue following secret trials run by BT on its users' online activity using Phorm's targeted advertising technology. BT used Phorm's technology to monitor users without them knowing or agreeing, with the aim of serving them with targeted ads.

IT and Internet Use

European Commission decides to clamp down on discriminatory Internet prices...

The European Commission has announced that it is going to clamp down on the practice of web sites charging different prices to customers depending on their surfing habits or their locations. Following a survey of 11,000 test purchases, it has found out that 60% of orders made online from another country are turned down by the e-tailer. E-tailers often charge more money or refuse the order altogether. The Commission said that discrimination based on location will be prohibited when the EU's Services Directive is implemented. Under that Directive, Member States must end discrimination, except to the extent that it is objectively justified. The UK's Office of Fair Trading has also vowed to look into the matter and decide whether consumers were being disadvantaged by discriminatory pricing and behavioural advertising.

Having everyone online could save UK economy £22 billion...

If everyone in the UK went online, it would save the economy about £22 billion, according to PwC. The research found that some 10 million adults have never been online. The government could save about £1 billion a year in costs involved with dealing with customers if all people made at least one trip online each month. The economic benefits would be generated from online shopping, better access to employment for unemployed people and savings from government by posting services online. The survey reported that Internet access for children could also boost their school performance.

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Jurisdiction

Jurisdiction clause meant party to agreement had to fight legal action in England, whilst another company in its group had to fight it in China – Morgan Stanley v China Haisheng, High Court...

MSIP (an English company) and CH (a Cayman Islands company listed on the Hong Kong Stock Exchange) entered into an agreement. The agreement provided that English courts would have exclusive jurisdiction over any disputes. The agreement also provided that any affiliate company could enforce rights expressly granted to an affiliate company under that agreement, even though those affiliates were not parties to the contract. The parties entered into a dispute. CH started legal proceedings in China against MSIP and its Hong Kong affiliate company, MSAL. MSIP then issued proceedings against CH in England and sought an anti-suit injunction to stop CH's proceedings outside of England. MSIP argued that the clause in the contract required CH to bring all proceedings in England.

The High Court disagreed with MSIP. It ruled that CH could not bring litigation against MSIP outside of the English courts. However, that did not apply to its legal action with MSAL. The exclusive jurisdiction clause only applied to the parties to the contract. The third party rights clause only gave an affiliate company a right to enforce a right but did not address claims made against an affiliate company. Claims made by the affiliate company had to be brought within the agreed jurisdiction of English courts, but claims made against affiliates could be made anywhere.

Paul Gershlick, editor of www.Upload-IT.com, comments: 'Technically, the decision was correct. But it gave an unsatisfactory result. It could lead to two conflicting rulings affecting different group companies.'

Misleading Advertising

ASA rules fake invoice ad was misleading...

The Advertising Standards Authority – the advertising watchdog – has ruled that a leaflet presented as a fake invoice for trade mark registrations was misleading. The leaflet, sent to businesses by Community Trade Marks & Designs, appeared to be an invoice for trade mark services. In fact it was simply an advertisement for CTMD's services, but this was only made clear in the small print which stated: 'This is not a bill. This is a solicitation...You are under no obligation to pay the amount stated underneath unless you accept the offer...' The ASA found that the admission in the small print did not do enough to counter the overall impression that the advertisement was an official request for payment. The ASA ruled that the advert breached the CAP Code as it was misleading. The ASA ordered CTMD not to repeat the advert.

The CAP Code is a code of practice governing the content of adverts and marketing communications, and 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.

Actimel TV advert not given clean bill of health by advertising watchdog...

Danone has been pulled up for having a misleading television advert. After a consumer complained, the Advertising Standards Authority ruled that the advert for the Actimel yogurt was misleading. The ASA investigated the ad's claims that the yogurt was scientifically-proven to help support children's defences. The ASA decided that the claims were not supported properly by evidence. Danone published 24 clinical studies showing the product's health benefits in a variety of situations, eight of which were carried out on ill children. However, the ASA ruled that those studies could not be applied to healthy children. The ASA stressed that it was not commenting on whether or not Actimel worked, but was merely commenting on whether the studies proved the claims. The ASA said that Danone's evidence was not a million miles away from what was required, but it still fell short.

Paul Gershlick, editor of www.Upload-IT.com, comments: 'Even though the ASA did not say that the advertiser's products did not work, the bad PR from the ruling may be enough to put people off. That may be harsh on the advertiser, but this ruling shows the importance of being able to support whatever is said in their adverts.'

Misleading Selling

OFT launches investigations into online pricing and targeted advertising...

The Office of Fair Trading has launched two investigations into unfair online selling practices. In the first investigation, it is looking at whether consumers are being unfairly treated by online advertising and customised pricing that is specific to them

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based on their surfing habits. As this month's www.Upload-IT.com also reports, discriminatory pricing based on the user's location other than where objectively justified would also breach the new European Union's Services Directive, which is due to be brought into law by the end of this year.

The OFT's second investigation will consider whether online prices deceive consumers. In particular, it will examine:

- ◆ Drip pricing – where price increases are added as the buying process progress.
- ◆ Baiting – where consumers are enticed by discounts, but those discounted items are limited and in reality most sales are at full price.
- ◆ Reference Prices – where consumers are told that something is x% cheaper than before.
- ◆ Time-limited offers – where consumers have a very short period of time (such as one day) in which to take advantage of a special price.
- ◆ Complex prices – where the complexity of the prices makes it too difficult to determine the price of one item.

Patents

Virgin feels more comfortable after latest result in battle over airline seat – Virgin Atlantic v Premium Aircraft Interiors, Court of Appeal...

Virgin Atlantic has won this case in the Court of Appeal to protect its unusual Herringbone design on its Upper Class seats. The design had been made and built for it by Premium Aircraft Interiors (also known as Contour). Virgin claimed that it owned the patent rights in the seat and that Contour had made unlawful copies of it for other airlines. The High Court initially ruled that the patent was valid but that it had not been infringed. The Court of Appeal has now agreed that the patent was valid and it had been infringed.

Virgin is also suing Cathay Pacific, Delta, Air Canada and Jet Airways, which it claims has infringed its patent by having the seat in their aircraft. If Virgin wins its legal actions against those airlines, it could cripple their businesses as it takes months to refit an aeroplane, rendering lots of their fleet out of action. In those circumstances, the parties may come to a settlement on beneficial terms to Virgin.

Trade Marks and Passing Off

Reputation within small part of EU is sufficient to stop someone using registered trade mark in relation to dissimilar goods or services - PAGO v Tirolmilch, European Court of Justice...

Pago owned a European Community Trade Mark for fruit juices. The mark consisted of a green glass bottle with a distinctive label and lid. Tirol marketed a fruit and whey drink under a totally different name but packaged in similar ways. Both businesses supplied in Austria. Pago argued that Tirol was using a sign that was the same or similar to a registered Community Trade Mark in relation to dissimilar goods or services where the registered mark had a reputation in the European Community and the use of the sign would take unfair advantage of or was detrimental to the distinctive character of the mark. The question arose what amounted to 'reputation' under the EU's Trade Marks Directive. The case found its way to the European Court of Justice.

The ECJ ruled that to benefit from that protection, the mark must be known by a significant part of the territory of the Community. The territory of a single Member State (as here) could satisfy that test. Further, the ECJ said that this could even extend to one part of a Member State. It would be for the national court of Austria (where the case was first heard) to rule whether, on the facts of this case, Pago's mark was known to a significant part of the public concerned by the goods which the mark covered. The ECJ added that, depending on the relevant good or service, the relevant public could be the public at large or a more specialised public. The ECJ would not say what percentage of the public would be sufficient, but it should be a significant part of the public concerned by the products or services covered by the trade mark.

'Rubik's Cube' trade mark is valid, confirms OHIM Board of Appeal...

The OHIM Board of Appeal has confirmed that a European Community Trade Mark consisting of the three-dimensional shape of a 'Rubik's Cube' is valid, upholding OHIM's decision to reject an application for invalidity. Simba Toys applied to have the

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Community Trade Mark declared invalid on a number of grounds including that it was devoid of distinctive character and that it consisted exclusively of the shape of the goods which was necessary to achieve a technical result. The OHIM Board of Appeal, however, found that the shape mark did have sufficient characteristics to be inherently distinctive for three-dimensional puzzles and it departed significantly from the norms of the sector so as not to be devoid of distinctive character. It ruled that the shape mark had to be considered on the basis of how the registration had actually been filed, not on the otherwise known but invisible features such as the well-known rotating capability of its structure. On that basis, it was impossible to determine that the structure might impart some technical advantage or effect in the field of three-dimensional puzzles. The OHIM Board of Appeal concluded that the mark did not consist exclusively of the shape of the goods which was necessary to obtain a technical result.

Daimler proves that its registered trade mark has been genuinely used but wins pyrrhic victory – Daimler v Sany Group, High Court...

Daimler sued Sany for infringing the car manufacturer's registered trade marks of a three-pointed star in a circle. Daimler held the registration in relation to construction equipment and machinery in classes 7 and 12, in addition to cars, trucks, vans and buses. Sany manufactured engineering equipment and applied to register its own three-pointed star as a trade mark. Daimler sued Sany for trade mark infringement, but Sany counter-claimed by arguing that Daimler's registration should be partially revoked as it had not been used for at least five years in the relevant classes. Sany argued that the specification was too broad and should be limited.

The High Court ruled that there was evidence to establish genuine use in relation to all relevant classes. The trade mark specification was fair and reflected a fair balance between Daimler's interests, its competitors, and customers. Therefore, Sany's counterclaim failed and Daimler's trade mark registration stood in its current form. However, on the facts, there was no trade mark infringement, as the average customer would not link the two logos – they were sufficiently different. Although both had a three-pointed star, Sany's trade mark would not bring Daimler's logo to mind.

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

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