

UPLOAD-IT - 1 October 2007

COMPETITION LAW

- ***Goliath defeated for now as record competition ruling against Microsoft upheld by CFI...***

The European Court of First Instance (CFI) has upheld the 2004 European Commission decision and fine of €497m against Microsoft for abusing its dominant position, contrary to Article 82 of the EC Treaty. It upheld two different complaints – one was that Microsoft had withheld vital information about Windows from makers of server software, thereby gaining an unfair advantage over them for its own server software products; the other was that it unfairly bundled (or tied) its Media Player software into Windows, which had the effect of excluding competitors from selling competing products.

The latest instalment in this saga comes after a nine year legal wrangle which saw Microsoft appeal against the competition law rulings and an imposition of further fines by the Commission in July 2006 after the software giant had failed to comply with the Commission's 2004 rulings. In 2004, Microsoft had been ordered to make a version of its Windows operating system available without Microsoft's Media Player software, and it had been required to share information that would enable makers of server operating systems to interoperate with the Windows operating system. The CFI also ordered Microsoft to pay 80% of the Commission's legal costs and the Commission was ordered to bear a certain amount of Microsoft's costs.

IT lawyers say the bundling aspects of the case need to be taken into account by other software providers that are in a dominant position in their market as bundling is a common occurrence by software vendors. Unless there is an objective justification for the bundling, those other software suppliers may also face similar problems to Microsoft.

Microsoft has two months in which to appeal the CFI's decision. Microsoft's lawyer claims that it will comply with EU competition law, but it had not yet decided what to do next.

- ***OFT bags up supermarkets and dairies for fixing prices of dairy products...***

The Office of Fair Trading (OFT) has sent a statement of objections to five supermarkets: Asda, Sainsbury, Tesco, Morrisons and its subsidiary Safeway; and to five dairy processors: Arla, Dairy Crest, Lactalis McLelland, The Cheese Company (part of Milk Link) and Wiseman. The statement of objections asserted that the supermarkets and dairies had shared sensitive commercial information so that they could fix the prices of milk, butter and cheese, in breach of the Chapter I Prohibition of the Competition Act 1998. The OFT had previously warned supermarkets about the risks of colluding with others to fix prices. The next stage in the case is for the parties to make written and oral representations. Third parties can also make submissions.

It is alleged that people have overpaid for milk and cheese to the tune of £270 million and, for this reason, the OFT is taking the matter very seriously. The British Retail Consortium has commented that there has been no attempt to 'rip off the public' in the UK - but then it would say that...

CONTRACTS

- ***High Court refuses commission payment claim as party to contract did not properly use contractual dispute resolution procedure -***

Harper v Interchange Group, High Court...

Mr Harper sold his computer software business to Interchange. The parties entered into an asset sale agreement to do this. Under the agreement, Mr Harper would be paid a commission on gross margins in relation to specified transactions referred to as the 'unisource contracts'. Another clause set out the rate of commission payable. The agreement also contained a clause which set out a procedure for determining the commission payable. The procedure was such that if Mr Harper had any objection to the commission calculation, he would have to tell Interchange within 28 days of receiving Interchange's statement showing the amounts payable. The clause was followed by a dispute resolution procedure clause stating that if the parties were not able to settle a disagreement about the level of commission payable then the matter would be determined by an expert. Mr Harper made several general comments and queries about the statements, but he did not object until a year after he had been sent the first statement. He claimed that he should have been paid a commission on the unisource contracts at a cumulative rate of interest (at 17.5 %) and not the rate he had been paid at. Interchange referred Mr Harper to the fact that the dispute resolution procedure in the asset sale agreement should have been invoked. Mr Harper took the matter to court.

The High Court had to decide whether Mr Harper was entitled to commission at the rate of 17.5% and, if so, whether he could get this even though he had not invoked the dispute resolution procedure. On the facts, the judge found that Mr Harper was not entitled to commission at the cumulative rate of 17.5%. However, the judge went on to comment on the other issues before it, including whether Mr Harper could have received commission at the higher rate even though he had not invoked the dispute resolution procedure. The judge found that Mr Harper was precluded from claiming the sums he wanted as he had failed to invoke the dispute resolution procedure in the contract, including by failing to make an objection within 28 days. This set out a comprehensive agreement as the means by which disagreement about payment would be dealt with and Mr Harper had not followed it to the letter.

Paul Gershlick, editor of Upload-IT, comments on this case as follows: 'Often, businesses negotiate hard in the lead up to a contract being signed. However, once signed, the parties put the contract away in a drawer without following the procedures that had been negotiated. If they don't follow the procedures and wish to make a claim later, though, they may fall at the first hurdle. Waiting until a 'dispute' is on the cards before looking at the contract again may be too late.'

- ***Court of Appeal gets fed up with doctrine of frustration and says contract was not frustrated –***
Edwinton Commercial Corporation v Tsavliris Russ Ltd, Court of Appeal...

TRL chartered a ship from ECC to fix a tanker that was causing pollution in the sea near Karachi in Pakistan. The agreement between TRL and ECC stated that TRL would pay all port fees and hire charges, and the agreement between TRL and the tanker's owners also included special compensation protection and indemnity clauses. TRL was unable to re-deliver the ship as the Port of Karachi unreasonably refused to release the ship from its port and demanded \$11 million of its release. It eventually took 108 days to get the ship released. ECC sued TRL for the hire charges up to the date of release. The parties agreed that the agreement did not cover the situation

that the parties found themselves in. For this reason, TRL claimed that the agreement was frustrated. The doctrine of frustration applies where parties to a contract are discharged from carrying out their further obligations where a supervening event changes the nature of those obligations to something other than that which could be contemplated by the parties when the contract was made. This applies if it would be unjust for the parties to be bound to those obligations.

The High Court found that the shipping agreement was not frustrated. TRL appealed to the Court of Appeal. The Court of Appeal considered that frustration had to take into account a number of different factors. Taking account of the length of the delay compared to the 20-day charter term was a starting point. This case was not necessarily one of frustration because the problem could have been fixed here and was fixed (as TRL eventually managed to get a court order for the ship's release). Also, the supervening event came at the end of the contract and the effect of that event was purely financial - someone would have to foot the bill for the event and the court had to decide who it would be!

The unreasonable seizure of the ship was foreseeable as an event even if it was unusual and unprecedented. The risk of that event happening remained with TRL as the charterer. It would not be unjust for TRL to bear the costs of that delay, so the appeal was dismissed.

Paul Gershlick, editor of Upload-IT, comments: 'This case shows how difficult it is to claim a contract has been frustrated. It is far better for parties to provide for supervening events expressly in a contract with a well-drafted 'force majeure' clause.'

- ***KPMG fails to 'railroad' Network Rail in argument over interpretation of faulty wording in lease – KPMG v Network Rail, Court of Appeal...***

KPMG and British Rail entered into an agreement for lease which contained a draft lease as an appendix, for offices to be completed in the future. The draft lease allowed KPMG (the tenant) to end the lease after determination of any one of three rent reviews. This was subject to a condition that the review resulted in a rent increase (Rent Increase Clause). The parties amended the draft lease a few times and eventually a few years after the agreement was signed, KPMG's solicitor noticed that the landlord had omitted the Rent Increase Clause from the break clause. He wrote to his client, pointing out that the Rent Increase Clause appeared to have been dropped and this appeared to be in his client's favour. KPMG's solicitor did not bother to point out to the other side that there was no Rent Increase Clause. There was also no record of the omission being discussed between the parties, or between the solicitors and clients, at any other time. Eventually, the parties completed the lease 10 years after signing the agreement for lease. The Rent Increase Clause was not there, so the right to terminate based on a rent review clause did not make sense without it.

In January 2006, Network Rail (which succeeded British Rail) asked the courts to rectify the lease. It claimed that there was either a mutual or a unilateral mistake, or alternatively the correction should be made through the way in which the words of the contract were construed. The High Court decided that there was a mutual mistake and allowed Network Rail to rectify the lease. This was because it found that the parties' intention was set out in the original draft, the parties had never discussed the omission and it was clear that the omission was a mistake. KPMG appealed.

The Court of Appeal came to the same conclusion as the High Court except that it disagreed that the contract should be rectified. Instead, it found that on construction of the lease, the parties intended for the original lease terms (attached to the agreement for lease) to apply. It was obvious from reading the whole provision without the Rent Increase Clause that something was wrong with the provision. There was nothing to stop the court looking at the draft lease and the current lease even if the draft lease had been amended in some parts as the rent review terms were still the same. Therefore, on proper construction of the clause, it was the case that the parties intended to include the omitted words rather than leave them out. On that basis, the Court of Appeal allowed the lease to be rectified and KPMG lost its claim.

COPYRIGHT AND DATABASE RIGHTS

- ***eDonkey given a kick by international record industry via the German Courts...***

eDonkey, the second largest file-sharing network on the Internet, has suffered a severe setback thanks to injunctions issued by the German courts. The injunctions required the closure of seven servers on its networks. eDonkey is not run by a company but by a loose confederation of programmers who constantly shift the files' and sites' locations. For this reason, the International Federation of Phonographic Industry - the international body representing many recording companies - targeted the operators of those servers, which acted as the nodes through which the traffic on networks passes. Many of the servers were located in Germany. Similar injunctions have also been issued against eDonkey in France and the Netherlands. The IFPI believed the closures would stop one third of eDonkey's four million users. Despite success in the courts against Napster, Grokster, Streamcast, Kazaa and other file-sharing sites, CD sales have continued to fall by 23% since 2000, with an estimated one in seven regular Internet users still exchanging music unlawfully.

- ***BSA secures £1.7 million in pursuit of naughty unnamed company that forgot to increase its licences when it grew too quickly...***

The Business Software Alliance (BSA) has settled a case with an international media company for a figure of £1.7 million. The BSA represents software licensors and helps them obtain licence fees for illegally copied software or software used without a licence. In this instance, the company, which the BSA refused to name, was found to be using software that it did not have proper licences for. Following a complaint by the BSA to the police last year, the media company's offices were raided by the police and its assets were also frozen. As the BSA finds is often the case when companies expand rapidly, the company did not pay enough attention to updating its software licences in line with its increased number of users.

- ***Prince targets removal of unauthorised pictures of himself on the Internet...***

Prince, the music artist, has decided to sue a number of Internet sites for infringing his copyright. Prince has alleged that sites such as eBay, YouTube and PirateBay have failed to filter out unauthorised materials and have permitted the sale of unauthorised Prince merchandise - thus infringing his copyright. Prince has recently completed a tour in the UK and despite making it clear to fans that they must not take photos or videos of his performances, unauthorised photos and videos of his performances have appeared on the Internet. Prince has instructed a company specialising in stopping copyright infringement on the Internet - Web Sheriff - to try to get the infringing materials removed. The company has already managed to get a few hundred eBay auctions closed down and over 2,000 unauthorised clips of Prince

removed from YouTube. Web Sheriff are concerned, thought, that just as some clips are removed, more pop up elsewhere.

- ***Fears of SCO going bust abound following its UNIX defeat...***

SCO has filed for Chapter 11 bankruptcy proceedings in the US following its recent defeat at the hands of Novell. Chapter 11 bankruptcy is granted to companies in financial difficulties so that they are protected from creditors while they re-organise themselves. In 2003, SCO had challenged Novell's ownership rights of the UNIX operating system in a high-profile court action. AT&T had originally owned the copyright in UNIX and then AT&T sold UNIX to Novell. The Santa Cruz Operation entered into an agreement with Novell soon after but the sale contract specifically excluded the copyright in the UNIX system. Despite that, SCO, as the successor company of The Santa Cruz Operation, claimed ownership in the UNIX system. SCO also made a multi-billion dollar claim against IBM and Linux end users in 2003-2004 for allegedly using confidential information from the UNIX system in the Linux open source operating system. However, The US District Court in Utah has recently ruled that Novell owned the copyright in UNIX, leaving SCO's claims in tatters and meaning instead that it was left owing millions of dollars in licence fees to Novell - which SCO could not pay. SCO has now admitted that it might not be able to emerge from Chapter 11 bankruptcy.

- ***DRM developer faces the wrath of Sony BMG for providing (allegedly) defective software...***

Sony BMG has filed legal claims against Digital Rights Management (DRM) software developer, Amerngence Group, for providing DRM software for its CDs which reportedly caused widespread damage and mayhem to users' computers in 2005. The software, known as 'MediaMax', created a directory on computers which could allow hackers to infiltrate those computers. Sony's problems with Amerngence's software had followed on in quick succession from another software scandal with Sony involving another DRM provider - First 4 Internet. In that case, digital rights management technology in Sony's CDs had installed a special type of software - a 'rootkit' - onto users' computers, which created a security vulnerability for the computers. As a result of complaints over Sony's DRM software, it had been investigated by US government officials and subjected to legal class actions. It ended up having to pay \$7.50 per CD to users and being faced with independent audits of its DRM software in the future. The repercussions of Sony's problems in 2005 are being felt by Sony's suppliers and Amerngence is now feeling the full force of Sony's wrath. Amerngence has commented that Sony's problems are not its fault but Sony has asked for indemnification for its losses for up to \$12 million.

- ***Court of Appeal says Jimi Hendrix estate entitled to benefit from his rights in live performances despite dying before legislation came into force -***

- ***Experience Hendrix v Purple Haze Records, Court of Appeal...***

Jimi Hendrix died without having made a will in 1970. Experience Hendrix owned the rights in Jimi's musical performances - these are rights to prevent other people from copying or issuing to the public those performances without the artist's consent under the Copyright, Designs and Patents Act 1998 (CDPA) (as amended by the Copyright and Related Rights Regulations 1996). The CDPA created this right for performances that took place in a 'qualifying country' and included performances that took place before 1 August 1989 (when the Act came into force). Experience Hendrix sued Purple Haze Records for infringing rights in live performances given by Jimi in the UK, Sweden and the US. The High Court granted Experience Hendrix summary judgment and Purple Haze took the matter to the Court of Appeal on the basis that

Jimi had died before the CDPA came into force, and Sweden and the US only became 'qualifying countries' after the date of the performances.

The Court of Appeal refused to accept Purple Haze's appeal. Under the CDPA, performers' rights run from the end of the year in which the performance took place and are not tied to the death of the performer, unlike with copyright. For this reason, it was not possible to say that a dead performer was not a performer for the purposes of the CDPA. The CDPA (as amended) also expressly gave dead performers rights to protect their performances which could be enforced by their personal representatives. The Court of Appeal commented that the performances in Sweden and the US were protected by performers' rights even if those countries only became qualifying countries after the dates of the performances.

CYBERCRIME/SECURITY

- ***Deloitte survey reveals that banks see their customers as being to blame for IT security threats...***

Customers of the top 100 global financial institutions are at fault for security problems arising from viruses, worms and phishing attacks perpetrated against the financial institutions, according to a survey of senior information technology executives. This was because most frauds were committed via customers and many customers responded to legitimate-looking emails or letters. This made it hard for technical solutions to security problems to work. The survey was carried out by Deloitte, the accountancy and consultancy firm. '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.

The survey also found that 65% of the respondents had experienced an external breach of IT security in the last year. Respondents commented that it was important to educate customers about phishing and other attacks on their data. Whilst customer security was important, most respondents did not want to be responsible for it as it was such an enormous burden. About two-thirds of respondents reported that they considered an information security strategy as being very important but a similar proportion of companies did not have such a strategy. Only 10% said that the strategy was 'led and embraced' by business leaders. The report also revealed that business relationships like outsourcing caused some of the security breaches but the financial institutions still took the responsibility for such failures including the negative publicity and the regulatory scrutiny as, in the public perception, they remained responsible for providing the services and looking after their customers.

- ***Symantec finds that cybercrime is new market for underground and organised crime...***

Internet crime is increasingly becoming more commercialised and more professional according to a report by Symantec, the IT security company. The report revealed that there were now prevalent underground auctions and market places for selling valuable customer data. There is also big business in selling toolkits for people who lack technical knowledge to learn how to become cybercriminals. The increasing commercialisation is reflected in the number of malicious programs reported to Symantec. There were over 210,000 such programs reported to the security company in the first half of 2007 - a 185% increase on the previous six month period.

- ***UK cybercrime report finds that three hundred cybercrimes committed every hour...***

A report carried out by criminology firm 1871 Ltd for Garlik, the online identity experts, has revealed that Britons in 2006 experienced more than 300 online crimes an hour - equating to three million online crimes last year. 60 per cent of these were 'offences against the person' including abusive or threatening emails, false or offensive accusations posted on websites and blackmail committed over the Internet. The report revealed that 90 per cent of cybercrimes were not reported to the police. This was because victims often believed that the activity was not criminal or that the police would be unable or unwilling to investigate. It is also difficult to work out whether someone is a victim of cybercrime as there is no clear legal definition for that term and there is also no consistent reporting system - meaning that many such crimes are not properly investigated. Some particularly concerning statistics were that there were 200,000 cases of financial fraud and nearly one million online sexual offences.

- ***eBay in trouble with L'Oreal over sale of counterfeit goods...***

L'Oreal has decided to take legal action against eBay in the UK, France, Germany, Spain and Belgium for not doing enough to stop the sale of counterfeit goods by users on its auction site. The cosmetics business claims that eBay benefits from the sale of fakes since it takes a cut of all transactions carried out through its site. In response, eBay has claimed that it always acts in cases when it is notified of the sale of counterfeits. L'Oreal has estimated that it loses millions of euros because of the sale of counterfeit goods. Louis Vuitton and Tiffany's have already taken similar action against eBay. Further, the Union of Manufacturers in France filed a claim against eBay last year to get compensation for its members who suffered loss because of the availability of fakes on eBay's site.

DATA PROTECTION/PRIVACY/CONFIDENTIALITY

- ***60% of FTSE 100 companies still do not adequately deal with data protection requests from punters...***

60% of FTSE 100 companies in the UK still do not deal adequately with basic data protection enquiries when they are telephoned with a 'data subject access request', according to tests carried out by Marketing Improvement, the marketing agency. This year's test follows previous tests in 2003 and 2005. The survey focussed on 50 of the FTSE 100 companies.

Despite an improvement from previous years, just 40% of corporate switchboards - the first point of customer contact - understood what a data protection request was. The question asked at switchboard level was: 'My name and details appear on marketing databases in your corporation. I would like to know whom to speak to so that I can check that the details you hold on me are correct, please.' The report concluded that companies were not ignoring the law - as indicated by earlier studies - but were doing as little as possible to comply with it. The report puts this down to two factors: consumers care little about data protection and are easily fobbed off; and the penalties for breaking data protection law are small. The report comments that where companies failed to deal with data protection issues, members of the public would have less confidence in their systems and so be less likely to participate in the companies' marketing programmes.

EMPLOYEES

- ***Scotland Yard investigates police employees for posting 'inappropriate' videos on Facebook...***

Scotland Yard has decided to investigate some of its officers for posting certain videos and pictures on Facebook, the social networking site. The videos were taken while the officers were on duty. The videos were of various things – one clip showed a female officer pretending to do a striptease, another showed two female officers trying to handcuff each other and then getting into a fight, another showed an officer using a banana as a gun and a further one showed three officers being the 'see no evil, hear no evil, speak no evil' monkeys! The footage was available to the 1.3 million UK members of Facebook. A Met Police spokesperson commented that the officers had failed to meet professional standards and could face disciplinary action. To view the images, go to:

http://www.dailymail.co.uk/pages/live/articles/news/news.html?in_article_id=471458&in_page_id=1770&in_a_source.

GAMBLING

- ***New Gambling Act came into force on 1 September...***

The Gambling Act 2005 came into force on 1 September. The Act introduced a new regime governing all gambling laws in the UK, including introducing a new regulator - the Gambling Commission - and a regulatory regime for the first time for people who want to provide gambling services through remote means such as over the Internet. Anyone using, making, supplying, installing or adapting equipment or software based in the UK to offer remote gambling commits a criminal offence unless they have the appropriate licence. There is an exception for the need to have a licence for electronic communications providers, such as Internet service providers and mobile telephone operators, who only act as carriers of information rather than as providers of the service.

The Act makes it an offence if someone invites, causes or permits another person under 18 to gamble, unless he can show that he took all reasonable steps to determine the age and reasonably believed it to be over 18. TV and radio ads for gambling will be allowed for the first time subject to a voluntary 9pm watershed. The Act also requires gambling operators to display prominent information about gambling and to help with treating gambling addicts. Another facet of the new Act is that questions on competitions that people pay to enter must be harder.

Breaching the Act could involve unlimited fines, licences withdrawn, premises entered, goods seized and bets made void.

IT AND INTERNET USE

- ***EMI signs up to YouTube to allow fans to view artists' videos on website...***

EMI is the last of the 'big four' music record labels to sign up with YouTube. The deal means that YouTube users can now show EMI artists' videos on the popular video-sharing site. The deal is based on YouTube sharing advertising revenue on its site with EMI. Universal, Sony BMG and Warner already have deals with YouTube. However, Viacom – the film and television company – is currently suing the site's owner, Google, for \$1 billion for copyright infringement.

MISLEADING ADVERTISING

- ***ASA findings that false lashes should not have been used for mascara ads make L'Oreal question whether it was really worth it...***

L'Oreal issued television and press ads for its 'Telescopic' mascara product. The ads featured the actress Penelope Cruz and showed her using the product to separate her lashes. The ads claimed that the product separated the lashes and made them longer. One person complained to the Advertising Standards Authority (ASA) - the UK advertising regulator - because the complainant believed that Penelope was wearing false eye lashes. The complainant challenged the ad for being misleading for having exaggerated the length that could be achieved by using the product. Under the CAP Code and CAP Broadcast (TV) Advertising Standards Code, claims in adverts have to be truthful. The Codes are codes of practice which govern the content of adverts and marketing communications. They are administered by the ASA. Although the Codes do not have legal force, it is best practice to comply with them, as failure to do so can result in bad publicity and ultimately an inability to obtain advertising space.

L'Oreal argued that both scientific and consumer data showed the product would make lashes look longer by 60%, so its claim was substantiated. The use of the product as shown in the ads would make lashes look longer as it would make their tips more visible. The ads did not claim that lashes would actually become longer. However, L'Oreal admitted that Penelope was wearing individual false lashes between her own lashes to provide consistency. L'Oreal argued that enhancing models' lashes in this way was a standard practice in the cosmetics industry.

The ASA found that the ads did not make clear that the length of the lashes would not actually become longer through use of the product but that lashes would only appear longer through use of the product. Penelope wearing false lashes exaggerated the effect of what could be achieved by using the product. The ASA decided that the ads could mislead punters because they did not have a disclaimer saying that Penelope was wearing some false eye lashes and that the product would only make lashes look longer and would not actually lengthen the lashes.

In 2002, L'Oreal had been accused of having models wear false lashes in ads and because those models had said in sworn affidavits that they were not wearing false lashes, L'Oreal had been found not to have advertised in a misleading way.

Cosmetics companies should consider just using models with naturally long lashes rather than trying it on with fake lashes as it might well lead to accusations of misleading the public! In this case, L'Oreal may question whether it was all really 'worth it'.

MISLEADING SELLING

- ***OFCOM fines GMTV and ICSTIS fines Opera Telecom over £2m for the worst case of premium phone line abuse ever...***

Ofcom - the media regulator - has fined GMTV £2m and the Independent Committee for the Supervision of Standards of the Telephone Information Services (ICSTIS) - the regulator of providers of premium rate phone lines - has fined the phone company behind GMTV's phone-in competitions (Opera Telecom) £250,000. Ofcom would have fined GMTV more had its managing director not resigned and the company not revised its processes. Ofcom stated that GMTV's operation of the competitions amounted to gross negligence and a breach of the Broadcasting Code

and the Independent Television Commission Code (the predecessor to the Broadcasting Code). Winners to the competitions had been chosen up to three hours before phone lines closed, so many viewers continued to spend in excess of £1 per call to enter a competition that they had no chance of winning.

The regulators believe that as many as 25 million people may have been cheated and entitled to a refund and in excess of £20m had been spent. ICSTIS has banned Opera from operating competitions for a year, but the ban has been suspended for three months and will be removed altogether if ICSTIS is satisfied that the company has adequately overhauled its management structures and procedures in that time.

Opera was used by GMTV to run its phone, text and Internet competitions for four years but lost the contract after the problems were exposed by the television programme 'Panorama'. Ofcom was particularly critical of GMTV for never having audited Opera's processes despite the competitions giving GMTV about 40% of its profits. ICSTIS called the case the worst it had ever come across in light of the number of consumers and amount of money involved.

TELECOMS

- ***iPhones which have been unlocked to other networks are disabled by Apple...***

Apple, the supplier of iPhones, recently issued a chilling warning to its customers that if they unlocked their portable music and mobile phone devices such that they could work on any mobile network they chose (rather than Apple's chosen exclusive network providers), then their iPhones would become permanently disabled. True to its word, a software update released by Apple has now rendered all such modified iPhones inoperable. Further still, Apple seems to have caused damage to even more of its users than intended as many others, who have not altered iPhones, have also found that the latest update has 'messed up' their iPhones too and the innocent customers are reported to have lost contact information, music and photos.

TRADE MARKS AND PASSING OFF

- ***New rules for trade mark applications in the UK Trade Mark Registry in place...***

New rules were brought into force on 1 October 2007 and these have changed the way the UK Trade Marks Registry will consider trade mark applications from now on. The Registrar will no longer automatically refuse a trade mark application on the basis that it conflicts with an earlier mark. This means that the Registrar does not have to do the relevant searches for examination and objection. Instead, the Registrar MAY conduct searches to notify the applicant and owners of earlier marks who may have a right to oppose or invalidate on the basis that there is a potential conflict between the owner's mark and the new trade mark application. However, the Registrar will not notify people who have told the Registrar that they do not want to be notified (known as the opt-out provision) or owners of European Community Trade Marks (CTMs) (and international marks that designate the whole of the EC rather than just the UK). There is also an opt-in right for owners of international marks and CTMs to be notified of potentially conflicting trade mark applications for a £50 per mark fee that lasts three years.

Unless there is an opposition from the owner of an earlier mark who has been informed of the application through the notification system, the trade mark application will automatically be published two months after the application submission and then proceed to registration.

This is very different to the old system. Prior to 1 October, the Registrar had to examine the trade mark application and work out if it was registrable and also do a search against all previous UK, CTM marks, and international marks that designated the UK or EC to see if the mark was confusingly similar or identical to any earlier marks. This was called the 'relative grounds examination'.

Businesses now need to actively police their own trade marks. There is now even more reason than before to subscribe to trade mark watching services to see which trade marks have been applied for recently and whether there is a potential conflict with their own marks.

- ***UK Trade Mark Registry issues new rules about how invalidity proceedings work...***

The UK Intellectual Property Office has published a Tribunal Practice Notice (TPN 2/2007) which sets out a change in the Trade Marks Registry's practice in relation to undefended applications for declarations of invalidity. Before the issuing of this note, a person who wanted to apply for a trade mark to be declared invalid had to provide supporting evidence even if the trade mark owner was not defending the action. The note allows for applicants for undefended invalidity claims with a valid legal basis to succeed where the trade mark owner does not submit a defence within 14 days of receiving a notice from the Registry. This means that the trade mark will automatically be found to be invalid if the trade mark owner does not respond within the set time and submit a defence, as the Registry will interpret this to mean that the application is not opposed. For this reason, businesses with registered trade marks should ensure that the Registry has their correct contact details so as not to miss any notices.

- ***Giving your company a name is not considered to be trade mark use under trade mark law – Céline Sàrl v Céline SA, European Court of Justice...***

Céline SA was registered as a company and had a trade mark for 'Céline' in relation to clothes since 1948. Céline Sàrl traded as a clothing retailer from its premises under the name 'Céline'. In 1992, it registered 'Céline' as a company name. In 2003, Céline SA became aware of the company registration. It sued Céline Sàrl for trade mark infringement because of use of its trade mark to designate itself and its business. The mark in dispute was not affixed to any goods. At first instance, Céline SA won. But Céline Sàrl appealed and the French appeal court referred the matter to the European Court of Justice.

The ECJ commented that trade mark law allows the owner to prevent unauthorised third party use of a company name, trade name or shop name that is identical to his mark, in connection with the marketing of goods identical to those for which it is registered, if the use is in relation to goods in such a way as to affect or be liable to affect the functions of the mark. There is a defence to this where the use of the name was someone's own name and that person was using it in accordance with honest commercial practices. The ECJ said that for there to be infringing use of an identical sign, the following conditions had to be met:

- the use must be without the trade mark owner's consent;
- the use must be in the course of trade;
- the use must be in respect of goods or services that are identical to those for which the mark is registered; and

- the use must affect, or be liable to affect, the function of the trade mark in guaranteeing to members of the public the origin of the goods.

The ECJ decided that the mere registration of a company name alone was not use in a trade mark sense. The purpose of a company name or shop name was not to distinguish goods or services - it just designated a business. As long as that name was not affixed to goods or the delivery of services, it was not use of a trade mark within the meaning of trade mark law. If the name was affixed to goods, it might be use of a trade mark 'in relation to' those goods as set out in trade mark law. This was left for the national court to decide. Also, the national court had to decide as a question of fact if Céline Sàrl's use of 'Céline' was being used in such a way that consumers were liable to interpret it as designating a third party trade mark owner's goods or services. This would affect the mark's essential function of guaranteeing the origin of those goods or services.

It is worth noting that from 1 October 2008, Section 69 of the Companies Act 2006 will come into force in the UK and this will give a person a right to object if a company's name is the same as a name in which that person has goodwill, or if that person believes that the company's name is so similar to his own that it would be likely to mislead. These new rights will enable trade mark owners and those who have goodwill in (unregistered) marks to procure a change of any company name that is too similar to their own brand name, without having to prove 'trade mark' use of that company name.

- ***CFI says there is not a 'sea' of difference between 'Laboratoire de la mer' and 'la mer' – La Mer Technology Inc v OHIM, European Court of First Instance...***

La Mer Technology applied to register as a European Community Trade Mark the words 'La mer' for soaps, perfumery, essential oils and toiletries. Laboratoires Goëmar SA (Goëmar) opposed the application as there was a likelihood of confusion of that mark with its own earlier registrations of 'Laboratoire De La Mer' for cosmetics and other goods which were the same as the new trade mark application's goods. La Mer Technology asked for proof of use of the earlier trade marks on which the opposition was based. Goëmar submitted various documents to show that its marks had been genuinely used in Greece, France, Italy, Portugal and the United Kingdom. The Office of the Harmonisation in the Internal Market (OHIM) accepted Goëmar's opposition, even though the degree of use was not extensive. La Mer Technology appealed the decision and the matter ended up with the European Court of First Instance (the CFI).

The CFI dismissed the appeal. It stated that the courts would have to take account of the following to decide if there was genuine use of a mark:

- Whether the trade mark use was such as to guarantee the identity or the origin of the relevant goods;
- Whether the trade mark use is more than mere token use for the sole purpose of preserving the rights conferred by the mark;
- All the facts and circumstances relevant to establish whether the commercial exploitation of the mark is real; and
- Doing an overall assessment of use, taking into account all the relevant factors of that particular case (such as the characteristics of the goods and services, the frequency of use of the mark and the commercial volumes involved).

In applying the above, the CFI found that La Mer Technology had failed to show that Goëmar was not using the mark and sale volumes were not so low as to constitute merely token use.

The CFI went on to consider whether there was similarity in the marks. It found that the marks were similar as they both contained 'la mer', so there was visual similarity and there was also phonetic similarity. The CFI found that 'la mer' was the distinctive elements of the marks and so there was also strong conceptual similarity between the two signs. Since the similarity between the marks was high, there was a likelihood of confusion.