



PATENTS

The London Agreement

Although, the London Agreement was concluded in London on 17 October 2000, it will only come into force on 1 May 2008. According to the European Patent Office press advisor, *"almost seven years to the day later, on 9 October 2007, the second chamber of the French Parliament approved the ratification bill with a striking majority... to create a cost attractive post-grant translation regime for European patents. It is the fruit of the work on reducing European patent costs, which was set in motion at the Intergovernmental Conference held in France in June 1999"*. Indeed, it was the French who initially refused to ratify the original terms of the London Agreement, however, in the end, it was the French who resurrected and salvaged the matter of the translation process under the European Patent Convention (EPC).

In principle, the signatory countries to the Agreement undertake to waive, entirely or largely, the requirement for translations of European patents to be filed in their national language. This means in practice that European patent owners will no longer have to file a translation of patent specifications granted for an EPC Contracting State Party to the London Agreement which has one of the three EPO languages as an official language. Where this is not the case, they will be required to submit a full translation of the specification in the national language only if the patent is not available in the EPO language designated by the country concerned. This breakthrough on the language issue will significantly reduce the cost of European patents.

THE CURRENT STATE OF THE LAW

At present, when an application is granted, it is necessary to file a translation of the claims into French and German (assuming that the application is in English). After grant, most EPC Member States require the filing of a complete translation of the patent specification into the national language of the State in order for the patent to take effect in that state. The preparation of these translations under the current regimen can account for up to around 40 per cent of the total cost of obtaining a European patent. This can amount to upwards of £100,000 for very large and technically difficult patent applications.

THE FUTURE UNDER THE LONDON AGREEMENT

EPC Member States will be divided into two groups: those countries having English, German or French (the EPO designated languages) as an official language; and those countries having a language other than English, French or German as an official language. For countries in the first group, a translation of the patent specification will no longer be required in order to validate the granted patent in that country. The other signatory countries will select one of the three official languages (English, French or German) and will then only require a translation of the patent specification into the selected language, although they may require a translation of the claims of the patent into their national language. All signatory countries will still be required to file a translation of the claims into the three official languages prior to grant of the patent by the EPO. It should also be noted that it still might be necessary to file a complete translation of the patent specification into the national language of a signatory country should the patent become the subject of a dispute in that country. The national law of the relevant territory will need to be checked to see if a translation is required.

COUNTRIES SIGNED UP TO THE LONDON AGREEMENT

Signing up to the London Agreement is optional. For countries that do not sign, the current law will remain. In other words, they may require a full translation of the patent specification into their national language in order for the patent to take effect in their country.

At present, the following 14 countries out of a possible 34 Member States of the EPO are signatories to the London Agreement: Croatia; Denmark; France; Germany; Iceland; Latvia; Liechtenstein; Luxembourg; Monaco; Netherlands; Slovenia; Sweden; Switzerland; the United Kingdom. Of these, the United Kingdom, France, Germany, Liechtenstein, Luxembourg, Monaco and Switzerland have one of English, German or French as an official language and therefore will not require an additional translation of the specification in order for the patent to be granted in their country.

Denmark, Iceland, Latvia, the Netherlands, Slovenia, Croatia and Sweden do not have English, French or German as an official language. Denmark and Sweden have selected English as their language for translation, but will require translation of the claims into their respective official national language. Iceland and the Netherlands have yet to designate an official

language, but in view of historical considerations are expected to elect English (with Icelandic/Dutch claims). Latvia, Slovenia and Croatia have yet to indicate the language they will select.

EXAMPLES OF HOW IT WILL WORK AND POTENTIAL SAVINGS TO BE MADE

Obviously savings on the translation costs will depend on the countries selected by the patentee for validation. Savings will be greatest where the validation countries include those that have signed up to the London Agreement. However, these savings may be negated by the inclusion of validation countries having German/French as an official language and which have not signed up (see Example 3).

The examples provided assume that the patent specification was originally filed in English.

1. Validation in the United Kingdom, France and Germany only:
 - At allowance—translation of claims into French and German.
 - At grant—no further translations needed so the reduction in expenditure on translation costs will be significant as translation of specification into French and German will no longer be needed.
2. Validation in the United Kingdom, France, Germany, Italy and Spain:
 - At allowance—translation of claims into French and German.
 - At grant—translation of whole specification into Italian and Spanish. However, money will still be saved on translation costs as translation of specification into French and German will no longer be needed.
3. Validation in the United Kingdom, France, Germany, Austria, Belgium and Switzerland:
 - At allowance—file translation of claims into French and German
 - At grant—translation of whole specification into French (for Belgium) and German (for Austria). As a result there will be no real savings as translation of specification into French and German will still be required, although Switzerland will accept just the translation of claims, which is of some assistance.
4. Validation in the United Kingdom, Germany, Denmark, Sweden, Finland:
 - At allowance—translation of claims into French and German.
 - At grant—translation of claims into Danish and Swedish, translation of whole specification into Finnish. Even though the application will still have to be translated into Finnish, there will be savings as the translation of specification into German, Danish and Swedish will no longer be needed.

ENTRY INTO FORCE

The London Agreement will enter into force on 1 May 2008 and will apply to all patents granted after that date.

COMMENT

For those EPC Member States that are not signatories to the London Agreement, there is little information to suggest that they will sign up to the Agreement any time soon. One suspects that these countries are waiting to see how this will work in practice and whether the “translator unions” in these jurisdictions are willing to lose a significant revenue stream for the greater good of the inventors’ wallets.

Symbian—more hope for patentability of computer program inventions

A collective sigh of relief resonated across the computer industry when Mr Justice Patten allowed the appeal in *Symbian Ltd v Comptroller-General of Patents* [2008] EWHC 518 (Pat) arising from a UK Intellectual Property Office (UK-IPO) decision, refusing to grant a patent for a method of accessing data held in a dynamic link library on the grounds that each of the claims related to a computer program and therefore were not patentable under Section 1(2) of the Patents Act 1977. Whether that sigh will give way to a collective groan will depend on how Symbian and the judge’s refusal to be shackled by *Aerotel/Macrossan* [2007] RPC 7 fare before the Court of Appeal. Nevertheless, this latest decision is a pivotal case and provides a further glimmer of hope for any company developing new technology that has one or more computer programs at its core.

Moreover, the fact that the UK-IPO refused the exact same claims that just received a notice of grant from the European Patent Office (EPO) demonstrates the divergence in the respective Offices’ approaches to the patentability of computer-related inventions. If that divide has been reduced by recent decisions, most notably Mr Justice Kitchen’s ruling in *Astron Clinica*, Mr Justice Patten appears to have reduced it further in allowing Symbian’s appeal on the basis that the hearing officer took too narrow a view of the technical effect of the invention and was wrong to exclude it from patentability on the basis that it amounted to “no more than a computer program”.

BACKGROUND

One cannot do better than use the excellent summary provided by Patten J regarding this complex area of technology. He summarised as follows:

“Most modern computer operating systems embody a dynamic link library (DLL). The DLL is a collection of small programs or files, any one of which can be called up as required by an executable program (EXE) running on the computer at the relevant time. DLL files are used to perform a variety of functions. A common example is allowing the EXE program to communicate with a specific device such as a printer. But they can also be used to perform routine management functions required by the EXE program. Examples given in the evidence

and the specification include identifying free space on the hard drive, saving data to physical memory, the creation or destruction of an object within a process and causing a device to perform a function such as emitting an alarm sound. Once the relevant DLL file has been called by the EXE program it can then be run within that program so as to execute the particular function required."

According to the specification of Symbian's patent application, which was the primary focus of the appeal, the invention related to: *"...a method of accessing data in a computing device and, in particular to a method of accessing data held in a dynamic link library in the computing device. The present invention also relates to a computing device controlled by the method."*

Symbian's invention therefore applied to a wide range of electrical devices including any form of computer, various forms of cameras and communication devices such as mobile and smart phones and other products which combine communications, image recording and computer functionality within a single device.

AEROTEL/MACROSSAN

During prosecution of the application, the hearing officer focussed on the method of Claim 1 and then went through the all-important *Aerotel* four step test:

1. Construe the claim (*i.e.*, decide what monopoly is being claimed before going on to the question of whether it is excluded);
2. Identify the contribution. Symbian's case before the hearing officer stated that the contribution made by the invention lay in the improved reliability of a computing device enabled by the provision of a novel interface. This enabled the EXE program to access available functionality regardless of additions or amendments made by the updates to the DLL and its ordinal numbers.
3. Ask whether it falls solely within the excluded subject matter. This is the "as such" test. In *Symbian*, the hearing officer referred to *Aerotel* and in particular to paragraph 92 of the judgment in which Jacob LJ said: *"A technical effect which is no more than the running of the program is not a relevant technical effect... merely putting a new program on a known memory device is not enough to escape Article 52(2)."*
4. Check whether the actual or alleged contribution is actually technical in nature. The hearing officer combined Steps 3 and 4 essentially by stating that: *"I therefore find that the contribution made... is nothing more than a computer program for allowing an executable program to link to a DLL through a further computer program interface and hence sits squarely within the computer*

program exclusion. I do not need to apply the fourth step of the test as the contribution has failed the third step."

In brief, the only exclusion relied upon by the UK-IPO for rejecting Symbian's application was that the invention related to computer programs.

EPC AND THE PATENTS ACT

Article 52 of the EPC (which is given effect by Section 1(2) of the 1977 Act) provides as follows:

1. European patents shall be granted for any inventions, [in all fields of technology] which are susceptible of industrial application, which are new and which involve an inventive step.
2. The following in particular shall not be regarded as inventions within the meaning of paragraph 1:
 - a) discoveries, scientific theories and mathematical methods;
 - b) aesthetic creations;
 - c) schemes, rules and methods for performing mental acts, playing games or doing business, and programs for computers;
 - d) presentations of information.
3. The provisions of paragraph 2 shall exclude patentability of the subject-matter or activities referred to in that provision only to the extent to which a European patent application or European patent relates to such subject-matter or activities as such.

The words "in all fields of technology" included in square brackets were added to paragraph 52(1) EPC and came into effect on 13 December 2007. This was inserted in order to make the European Patent Convention (EPC) more compliant with TRIPs, which does not have the same categories of excluded material.

As yet, there has been no corresponding change to the UK Patents Act. Symbian's argument, however, was based on the change to the EPC that afforded a broader interpretation of the law compatible with the current jurisprudence of the EPO in preference to the decisions of the Court of Appeal including the "Holy Grail" of decisions in this area, *i.e.*, Jacob LJ's ruling in *Aerotel*.

PATTEN J'S DECISION

Patten J began by expressing his disenchantment with the current state of affairs. It has long been recognised that the excluded categories under Article 52(2) have no common theme or purpose and need to be considered separately. The question of how to determine whether an invention is excluded from patentability as a computer program was one of the principal issues considered by the Court of Appeal in *Aerotel*.

In giving the judgment, Jacob LJ conducted an extensive analysis of the history of the case law on excluded matter.

Patten J proffered that advances in technology meant that most improvements to a computer or computer-based device could be effected via a software program. The present invention was no exception to this. It involved the re-structuring of the DLL (itself a computer program) by the provision of a novel interface to assist the EXE program to access the relevant DLL file regardless of intervening amendments or updates to the system. As such, this case provided another good example of the way in which the UK-IPO and the English courts are forced to struggle with concepts such as technical contribution or technical effect in a way that is alien to the EPO in its current approach to the same provisions of the EPC.

The judge noted that in *Aerotel*, Jacob LJ rightly described the various decisions of the EPO Board of Appeal as “mutually contradictory” and declined to follow any of the later trio of decisions. Jacob LJ suggested a reference of various questions of law to the Enlarged Board of Appeal in order to clarify the test of exclusion under Article 52. That invitation has subsequently been declined by the President of the EPO as unnecessary on the basis that the reasoning of the Board in *Vicom* [1987] T 208/84 has been replaced by that in *Pension Benefit* [2000] T 931/95, *Hitachi* [2004] T 258/03, and *Microsoft* [2006] T 424/03.

Then, in a statement of rather startling candour, Patten J stated that “*this divergence between the jurisprudence of the English Courts and the EPO is a matter of considerable concern and renders hollow the sentiments expressed by judges such as Lord Hoffmann in Merrill Dow Pharmaceuticals Inc v HN Norton & Co Ltd [1996] RPC at p 82 about the need for consistency of approach. To some extent this is the inevitable consequence of the combination of our strict system of precedent and the inability of the EPO Board of Appeal to make decisions binding on the Courts of all member states.*”

In the judge’s view “*an invention may be viewed as a solution to a concrete technical problem. Merely to program a computer so that it operates in a new way is not a solution to any technical problem, although the result may be considered to be a new machine. It follows that an inventive contribution cannot reside in excluded subject matter. I consider that this is a correct statement of the principle...*” He went on to declare that he was free to follow the more recent trio of EPO decisions in preference to *Aerotel* and others.

What was clear to Patten J was that having 1 step, 2 steps, 4 steps or any combination thereof was immaterial. He stated that:

“*In a case such as this where the only potential application of Article 52(2) is in relation to a computer program care needs to be taken not to pre-judge the issue of technical contribution*

or even to exclude it by concentrating too much on the fact that the invention is program based. Clearly one needs to avoid treating any computer program as some kind of technical advance. But I fail to see why a program which has some novel technical effect on an important component in the computer’s operating system should not qualify as doing more than merely operating as a computer program notwithstanding its effect is to solve what on one view is a software problem affecting the functionality and reliability of the computer. I think this is what Pumfrey J had in mind when he referred in Shoppalotto to a patentable invention as providing a solution to a concrete technical problem.”

Without an effective operating system a computer is no more than a plastic casing. It is simply inaccurate to label all programs within the computer as software and on that basis to regard them as of equal importance in relation to its functionality. The end result of the invention (as claimed) is that it does solve a technical problem lying within the computer. As a final blow to the UK-IPO Patten J concluded that “*the Hearing Officer took too narrow a view of the technical effect of the invention and was wrong to exclude it from patentability on the basis that it amounted to no more than a computer program. The appeal will therefore be allowed.*”

COMMENT

Hot on the heels of the judge’s decision, the UK-IPO issued a press statement stating that “*when deciding whether this computer implemented invention is patentable, Mr Justice Patten did not apply the so-called ‘Aerotel/Macrossan test’, which was established by the Court of Appeal in an earlier case, in the way intended by the Court of Appeal.*” In the UK-IPO’s view, this decision has now created great uncertainty about how the *Aerotel/Macrossan* test should be applied to inventions of this type.

The UK-IPO is therefore planning to appeal this judgment with a view to seeking clarification from the Court of Appeal. Pending that decision, the UK-IPO will be continuing to follow the practice, set out in its Practice Notices issued in November 2006 and February 2008, based on the established *Aerotel/Macrossan* test. When applying this test in the future, however, the UK-IPO will now take account of the *Symbian* judgment in appropriate cases—one would think quite an irksome prospect especially for the original examiner of *Symbian*’s patent.

DESIGNS

Choos and handbags—no such thing as innocent infringement of design right in Europe?

The High Court decision in *J Choo (Jersey) Ltd v Towerstone Ltd* [2008] EWHC 346 will be of great comfort to the fashion

industry as the decision heralds the possibility of strengthened protection for handbag and shoe designs and similar accessory items under Community registered design (CRD) legislation. On granting summary judgment to J Choo Ltd, the famous designer shoe label, in respect of infringement of a new range of Jimmy Choo handbags, Mr Justice Floyd denied the “innocent infringer defence” thereby providing a clear advantage for CRDs compared to similar UK-only designs.

BACKGROUND

The claimant, Jimmy Choo, the famous manufacturer of designer footwear, designed a top range of handbags to augment their shoe range. Jimmy Choo had unregistered Community design rights in its Ramona handbag and owned a Community registered design for its Ramona range of handbags as seen below:



On application for summary judgment, Jimmy Choo stated that Towerstone sold handbags that were confusingly similar to Jimmy Choo’s Ramona handbags from its Oxford Street store (see Towerstone handbag below). The main issues before Mr Justice Floyd were: i) whether there was indeed infringement of the Jimmy Choo registered and unregistered rights; and ii) whether, if infringement was found, Jimmy Choo was entitled to damages or an account of profits.



DECISION

In granting the application, Mr. Justice Floyd deemed any prospect of Towerstone coming up with a successful defence as being “effectively fanciful”. There was no argument by Towerstone that handbags like the one shown above were not sold in its Oxford Street store. It therefore only remained for Floyd J to examine the merits of infringement by Towerstone of the various rights owned by Jimmy Choo in the Ramona handbag. In so doing, he relied on Lord Justice Jacob’s decision in *Proctor & Gamble v Reckitt Benckiser* [2007] EWCA Civ 936 for the appropriate starting point in determining infringement of a CRD.

Following the steps outlined in the *Proctor & Gamble* decision, one needs to: first, identify the informed user and determine what the user would know about “the design corpus”; second, identify the overall impression given by the design and do the same for the alleged infringement; and third, ask whether the impression given by the two are the same or different. Floyd J found “in the case of handbags, the informed user would be someone with knowledge of handbag design but NOT the woman in the street and not a handbag designer. Such a person would know about the design constraints inherent in handbag design, what features were necessary and unnecessary, etc. Evidence was presented and was not disputed by the defendant that the most significant features of a handbag design are those on the front of the bag, the part which is visible in use because it is carried with that side pointing out.” This was considered important evidence and was to be used in combination with the “overall impression of the handbag”, which is also relevant in assessing infringement.

Further evidence submitted by Jimmy Choo stated that when the Ramona bag was launched it was brought to market with great fanfare and celebrity endorsement and described in numerous fashion and life-style magazines at the time.

Remarkably, the Defendants did not attempt to show any prior art in handbags to mitigate their own situation and invalidate the registered design right held by Jimmy Choo. This proved a fatal error as Mr Justice Floyd was only able to review the evidence at hand. The judge went on to discuss at length the various design features of the bag and to give his overall impression of the Ramona handbag: *“Standing back, it seems to me that the overall impression to be formed by an informed user at an appropriate level of generality is of a bucket bag with a double row of large eyelets threaded with a belt and interrupted by a clasp strap appearing to run along the bag longitudinally, and with handles which terminate in a lozenge shape integral with the eyelet design.”*

The overall impression of the Defendants’ handbag was exactly the same as that of Jimmy Choo’s handbag and was therefore an infringement of Jimmy Choo’s Community registered design and unregistered design right. Mr Justice Floyd went on further to state that *“the likelihood that these two designs could have been arrived at independently, given the large number of identical features in a design field as free as the present one, seems to me to be truly fanciful”*.

INJUNCTION

The Defendants claimed that they were “innocent infringers” and had no reason to believe, when they purchased the bags, that these were infringing copies of Jimmy Choo’s Ramona design. The Court thus had to assess whether the concept of innocent infringement was available to a defendant when applying Community design rights.

Not surprisingly, the Defendants argued it was anomalous that the Intellectual Property (Enforcement etc) Regulations 2006/1038 gave an innocent infringer a defence to a claim for a financial remedy in the case of infringement of a UK registered design, whereas no such defence was available for infringement of a Community registered design. Paragraph 1A of the 2006 Regulations states:

- 1A (1) This regulation and regulations 1B to 1D are without prejudice to the duties of the Community design court under the provisions of Article 89(1)(a) to (c) of the Community Design Regulation.

In an action for infringement of a Community registered design all such relief by way of damages, injunctions, accounts or otherwise is available to the holder of the Community registered design as would be available in respect of the infringement of any other property right.

At the same time, the 2006 Regulations made provisions for an amendment to UK Registered Designs Act by inserting a new Section 24B which provides that:

1. In proceedings for the infringement of the right in a registered design damages shall not be awarded, and no order shall be made for an account of profits, against a defendant who proves that at the date of the infringement he was not aware, and had no reasonable ground for supposing, that the design was registered.
2. For the purposes of subsection (1), a person shall not be deemed to have been aware or to have had reasonable ground for supposing that the design was registered by reason only of the marking of a product with—
 - a) the word “registered” or any abbreviation thereof, or
 - b) any word or words expressing or implying that the design applied to or incorporated in, the product has been registered,unless the number of the design accompanied the word or words or the abbreviation in question.
3. Nothing in this section shall affect the power of the court to grant an injunction in any proceedings for infringement of the right in a registered design.

In the Act, the reference is to a UK-registered design and therefore, on the face of it, the 2006 Regulations provide an innocent infringer with a specific defence if he proves certain facts in the case of infringement of a UK-registered design. In contrast, it was within the power of the UK courts to grant all such relief by way of damages for infringement of a Community design as is available for infringement of any other property right.

Floyd J agreed that there were no policy reasons for giving an innocent infringement defence to the infringer of the national right while denying it to the infringer of the Community right. This, however, was exactly what the legislature had done and the judge saw no way of applying Section 24B directly nor would he be able or even willing to create an innocent infringement defence under the auspices that it would be “appropriate under the circumstances”, as the defendant argued. UK law had to provide the sanction appropriate under the circumstances and damages had to be provided on the same basis as for infringement of any other property right so that was the sanction that the Court therefore had to apply. There was no indication that Parliament had intended to introduce some kind of discretionary right to damages for infringement of Community design right.

The position regarding innocent infringement was even better when it came to Community unregistered design rights as the Copyright Designs and Patents Act 1988 specifically provided

an innocent infringer defence to a claim for damages and Article 19 of the Community Design Regulation (6/2002/EC) did not. Lloyd J was therefore of the belief that there was no defence of innocent infringement available in respect of registered or unregistered Community design. Jimmy Choo was therefore entitled to an inquiry as to damages or, at its option, an account of profits for infringement of both registered and unregistered design right.

COMMENT

If Lloyd J is correct in his assessment of Section 24B, it demonstrates a wholly disparate situation between Community and UK law in the area of design legislation—an area supposedly harmonised some years ago. For the time being, it would behove those with UK registered designs to use appropriate notices on their products as required under the new Section 24B.

E-COMMERCE

maestro.co.uk: no evidence, no transfer

In a rare appeal of a Nominet adjudication, Maestro failed in its bid to have maestro.co.uk transferred to its stable of existing domain names. The Appeal Panel in *Maestro International v Mark Adams* [2007] DRS 04884 was unimpressed with Maestro's arguments regarding abusive registration. In rejecting the complaint, the message was clear: it does not matter how well-known your brand is, you still have to have the evidence to support it.

BACKGROUND

Maestro International is a subsidiary of MasterCard. Maestro is MasterCard's leading debit-card brand in the UK. Maestro held numerous trade marks for MAESTRO for a variety of goods and services largely in the financial services sector. Mark Adams is a website developer from Milton Keynes and trades under the name 3DWeb Online Services. Over a period of one year, Mark Adams registered a number of domains such as beverlyhillscop.co.uk, bigbrothertv.co.uk, goldenarches.co.uk, forrestgump.co.uk, popidol.co.uk and other well known names, including maestro.co.uk. On securing maestro.co.uk he proceeded immediately to connect that domain to his own site 3dweb.co.uk.

Approximately three months after registration, Maestro contacted Mark Adams to enquire whether he would be willing to sell the domain name. Mr Adams' response was that he would only be willing to sell for "an exceptional offer". He said that he had invested significant time, energy, money into developing the site for his own use, namely music downloads, education and tuition services. Mr Adams stated in a letter to Maestro that he was unaware of the Maestro brand name when registering the domain and that he registered the domain with the dictionary definition of "maestro" at the forefront of his

mind. He declined to transfer the domain to Maestro. There was some further communication between parties that resulted in Maestro filing a complaint with Nominet.

EXPERT'S DECISION

Nominet's appointed expert (the Expert) gave Mr Adams the benefit of the doubt. In brief, the Expert held that, even though it was clear that Maestro owned trade marks and had gained a degree of distinctiveness in the UK over time, it was not the sole user of the word. There were plenty of other businesses that used the word maestro in connection with their operations and practically any dictionary would also have that word listed. Put simply, Maestro did not have a monopoly across all goods and services to warrant blanket protection against all third parties using their brand in a domain name.

The Expert was not satisfied that Mr Adams had in fact been an abuser of domain names as no evidence, other than the fact that he would want to sell the domain name to Maestro for a significant sum, was actually presented. The term "maestro" was generic and therefore it was up to the Complainant to prove that the registration was "abusive" or was meant to take commercial advantage of Maestro (*i.e.*, the Registrant was seeking to ride on the Complainant's success). Because no evidence was offered by Maestro other than submitting that they were a well-known brand, the Expert had little choice other than to deny transfer of the disputed domain name. The Expert also had little time for the argument that Mr Adams was a serial abuser. Again, no evidence was submitted and no other decisions or complaints regarding the other domain names had been filed.

APPEAL DECISION

The Appeal Panel was unimpressed by the lack of supporting evidence of the "considerable time and energy" spent by Mr Adams in developing his new business venture related to the maestro.co.uk website. The Panel was therefore prepared to accept that Mr Adams had not devoted any significant time or money. Nevertheless, this ultimately had little bearing on the Panel's decision.

In reaching its decision, the Panel first addressed Mr Adams' "alleged pattern" of abuse in registering well-known names and trade marks of third parties. The Panel accepted that these domains did represent a pattern, but the question was whether the "maestro.co.uk" domain name formed part of that pattern. In light of the evidence presented by Maestro, the Panel did not believe that it did. Their reasoning was, that while most of the domain names registered by Mr Adams included words that would be in any ordinary dictionary, they were combinations of words that were either so well known that their ordinary meaning was overwhelmed by their fame as trade marks (e.g. Big Brother and Pop Idol) or combinations that were not common expressions (e.g. Net Names and Golden Arches). On the other hand Maestro was at least as well known for its ordinary English language meaning as for anything else. The

Panel also noted that the *maestro.co.uk* domain was filed nearly a year after the other domain names. It is interesting to note that if Mr Adams had purchased these 12 domains incorporating well known marks or brand names over an extended period, this may have supported the argument that there was a “pattern of abusive behaviour”.

Thus, the Panel dismissed the appeal and upheld the original Expert’s decision in full and there was no order for the domain name to be transferred to Maestro. The consequences of this decision are that if a domain name is a single ordinary English word, the meaning of which has not been displaced by an overwhelming secondary meaning, a complainant will have to provide very persuasive evidence that the registration was abusive under the dispute resolution service policy. In this case, the Registrant did not do himself any favours by owning some questionable domain names. However, Maestro’s failure to present evidence that the registration was abusive to Maestro meant its appeal also failed.

COMMENT

Appeals to Nominet are very rare (less than 0.01 per cent of decisions are appealed) so one should take notice when such decisions are rendered. It was clear from the tone of the decision that this did jar with the Panel’s natural inclination towards allowing major brand owners great latitude in pursuing serial abusers of the domain registration system. However, the lesson to be learned is that if a company does not provide actual evidence of abuse, then no matter how big a household name the company is, the domain name will stay with the registrant—even if that registrant’s motives are questionable.

Privacy issues in targeted internet advertising – Bad Phorm?

Three of the UK’s top internet service providers (ISPs), BT, Virgin Media and TalkTalk are considering deploying technology created by Phorm, an American technology company. The technology would enable them to track web users’ browsing data and provide this information to advertisers via an exchange platform in return for a share of revenue. The effect of the technology would be that users visiting certain websites would be targeted with relevant advertisements based on their previous browsing activity.

Both Phorm and the ISPs in question have been strongly criticised by privacy campaigners since details of the plans became public. The Information Commissioner’s Office (ICO) has recently launched an investigation into the privacy issues surrounding the technology. BT, in particular, has received negative press following accusations of illegality and threats of legal action from users over its secret testing of Phorm systems carried out without user consent during the autumn of 2006 and the summer of 2007.

WHAT IS PHORM AND HOW DOES IT WORK?

Phorm’s Webwise product is a customer-facing web feature that is claimed to protect customers against fraudulent websites that “phish” sensitive information, and to open fewer irrelevant advertisements to users. OIX is Phorm’s advertising exchange platform, that receives browsing data in anonymised form from ISPs and auctions this in real time to web publishers, advertisers, and various other networks who are signed up to the Phorm service. This data allows the advertiser to then target relevant advertising at individual users as they visit various websites.

When the user is online, the ISP uses Phorm technology to filter various browsing data into various categories and assigns a random number to the user. The data and random number are then retained by the ISP network, not by OIX or Phorm. If the user subsequently views a website that runs targeted advertising, the ISP is notified to send the browsing data to OIX, which in turn attributes it to the relevant advertiser in real time. The information is subsequently deleted from the OIX system.

As ISPs provide the browsing data to OIX in return for a cut of advertising revenue, the benefits to its business are clear. It is estimated that BT and TalkTalk could enjoy revenue gains of up to £85m and £65m respectively if the systems are fully integrated. Allowing ISPs a greater slice of the advertising pie may also enable ISPs to keep broadband prices lower for its customers.

PRIVACY CONCERNS

Phorm asserts that, far from presenting a threat to individual users’ privacy, its technology represents a new “gold standard” in privacy and anonymity, and is compliant with the Data Protection Act 1998, the Regulation of Investigatory Powers Act 2000 (RIPA) and other applicable UK laws. The basis for these claims is that the service does not store any personally identifiable information, IP addresses or browsing histories, and it therefore cannot determine who the individual is, or show where he or she has browsed. A random number is deployed to identify the user’s system, and browsing habits are filtered into relevant categories by the systems provided to the ISP network. Furthermore, Phorm is keen to stress that users have the choice whether to use the system, and can switch it off at any time. Phorm has confirmed that no information is held by Phorm or OIX, as browsing data is retained by the ISP network (albeit using Phorm systems).

Perhaps unsurprisingly, not everyone shares Phorm’s views. Privacy campaigners have taken a strong line against the company and technology blogs are awash with criticism of its systems amidst increasing concerns over the privacy, security, and ethical repercussions of profiling individuals’ web habits.

LEGALITY

The legality of the Phorm technology remains a key factor in determining the ultimate fate of the targeted advertising programme. The UK Home Office, in a recent memorandum on the issue, has provided some comfort to Phorm on this front, particularly in relation to the potential application of Part 1 of the Regulation of Investigatory Powers Act (RIPA), which deals with the unlawful interception of communications. The memo states that the filtering of content of a communication (*i.e.*, browsing data—as carried out by the ISP) may not amount to an interception, and, even if this does amount to an interception, it may still be lawful, provided the ISP obtains its users' consent.

The Foundation for Information Policy Research (FIPR), a leading internet think tank, takes a very different view. In an open letter to the Information Commissioner, the FIPR contends that Phorm's targeted advertising systems are illegal and states that classifying users by scanning the content of their communications amounts to an interception for the purposes of Sections 1 and 2 of RIPA. The letter explains that explicit consent from a properly informed user, whilst necessary, is not sufficient by itself to make interception lawful. Rather, the consent of website hosts (and potentially web-based email senders) is also required, since they also "communicate" their pages (or emails) to the user (echoing the wording of RIPA).

Moreover, it is argued that the scanning of content amounts to processing "personal data" under the Data Protection Act and may in some circumstances include "sensitive personal data", for example relating to political, sexual or religious views or beliefs. Whilst the user is assigned a random number, a pseudonym, it is suggested that personal data may be linked to this pseudonym, the pseudonym linked to the IP address, and the IP address linked to the user. There are concerns that, despite the efforts to anonymise the system, certain users will still be identifiable, both from the nature of searches and sites they visit, and the fact that various web-based mail systems, chat rooms and social network sites may not be effectively excluded.

THE OPT-IN/OPT-OUT DEBATE

The opt-in/opt-out debate is nothing new in the world of online privacy. Phorm state that it is easy for users of ISPs running Phorm to opt out of Webwise or OIX by "switching off" through the Webwise website, www.webwise.com. They argue that this opt-out is sufficient from a privacy point of view.

Critics are quick to disagree, asserting that opt-out is not satisfactory, particularly as the proposed Phorm opt-out takes the form of an opt-out cookie placed on the user's system. Two key problems are identified in this respect. First, many users regularly wipe all cookies from their system on a regular basis. This would effectively cancel the opt-out, requiring the user to

re-visit the Webwise site to switch off the system. A second concern, from a data protection viewpoint, is that, even where the user has opted out, their random number and browsing data may still be mirrored on to the Phorm system used by the ISP network, even though they would not be forwarded to OIX. This may amount to an unlawful interception and/or processing of personal data as consent has expressly been turned down by the user.

It is argued that to opt-in to the Phorm system is the only acceptable approach, as informed explicit consent to the interception of communications and/or processing of information must be provided by the user to meet the requirements of data protection laws.

If ISPs do decide to use an opt-out approach, there is considerable support for the view that this should not require the user to maintain an opt-out cookie or block certain websites.

As concern over the use of opt-out has grown, TalkTalk has moved to confirm that it would only operate an opt-in service on the system, and BT has announced that it is looking into opt-out options that do not rely on cookies.

COMMENT

Targeted advertising technology is an issue that is always likely to divide privacy campaigners and those with commercial. The potential impact of the Phorm system is considerable, not only for users, but also for ISPs, advertisers and in relation to the issue of data protection generally. As such, any decisions on its legitimacy will be of great significance. The future for Phorm is unclear and may depend on the extent of any potential decision from the Information Commissioner's Office (ICO). If the issue remains unresolved by the ICO, and in the event that public reaction alone fails to deter ISPs from using this technology, it may be left to either the lawmakers or the courts to determine the ultimate fate of Phorm.

COMMERCIAL TRANSACTIONS

Construction of contractual terms under the private dictionary principle

The Court of Appeal has rejected the possibility that the so-called "private dictionary" exception, in which the meaning of a contractual term might be determined from prior negotiations, applied where the words or phrase in issue was actually defined in the contract.

The dispute related to the construction of a term relating to price under a development agreement. The case, *Chartbrook Ltd v Persimmon Homes Ltd* [2008] EWCA Civ 183 was heard at first instance by Mr Justice Briggs.

BACKGROUND

The contested term featured in a development agreement between the Claimants, Chartbrook, who owned the site and the Defendants, Persimmon Homes, a construction company. The dispute hinged on the construction of the following definition: ““Additional Residential Payment” means 23.4 per cent of the price achieved for each Residential Unit in excess of the Minimum Guaranteed Residential Unit Value less the Costs and Incentives”.

Chartbrook’s case was that it was entitled to a 23.4 per cent share of the net proceeds of sale of each Residential Unit in excess of a minimum guaranteed amount. Persimmon contended that Chartbrook was to receive either a fixed percentage (23.4 per cent) of the sales revenue or the minimum guaranteed amount, whichever was the greater.

At first instance, Briggs J held in favour of Chartbrook’s construction and rejected a counterclaim by Persimmon for rectification. Refusing to admit evidence of prior negotiations, the judge held that the “private dictionary” principle should not be used for the construction of words, phrases or terms that were already defined in the agreement.

On appeal, Persimmon argued that the judge erred in refusing to take into account prior negotiations.

CONSTRUCTION

On the construction issue, the Court was split. Lord Justices Rimer and Tuckey held that the judge was correct to reject Persimmon’s interpretation. In their view, there was nothing unclear, uncertain or ambiguous about the definition and its arithmetic was straightforward. Persimmon’s interpretation would change the language, fundamentally distorting the meaning and arithmetic of the definition. Moreover, this was not a case in which it was legitimate, as part of the construction exercise, to have recourse to the pre-contractual negotiations. Whilst acknowledging that “the boundaries of this exception are in some respects unclear”, their Lordships saw no basis in the current case upon which “any inroads into it may legitimately be made”. Pre-contract material of the nature on which Persimmon sought to rely could only legitimately be invoked for the purposes of a claim for rectification.

On the construction issue, Collins LJ took a different view. Although he concluded that there was no evidential basis for the application of the “private dictionary” or “agreed basis” exceptions in this case, he did not consider that the application of these exceptions was excluded simply because the words at issue were themselves contained in the definition section. Additionally, he would have allowed the appeal on construction on the alternative basis that where a semantic analysis of words in a commercial contract leads to a conclusion that flouts business common sense, it must be made to yield to business

common sense (*Antaios Cia Naviera v Salen Rederierna* [1985] AC 191).

RECTIFICATION

The court was unanimous on the issue of rectification. The burden was on the party seeking rectification and there must be convincing proof. The Court will rectify a contract if the evidence is clear and unambiguous that a mistake had been made in the recording of the parties’ intention, what that intention was, and that the alleged intention continued in both parties’ minds down to the time of the execution of the agreement (*Swainland Builders v Freehold Properties* [2002] 2 EGLR 71).

Collins LJ acknowledged that Persimmon had a very powerful case for rectification and that there was very considerable force in their submission that the figures were only capable of one explanation. Nonetheless, the judge had found Chartbrook’s witnesses impressive and had made a specific finding on their evidence in Chartbrook’s favour. As such, it was not a finding with which the Court of Appeal, in accordance with established principles, should interfere.

COMMENT

If ever there was a case for clear and precise drafting this is it. The Court found the case particularly difficult and the judgment is not an entertaining read. The judgment, however, will be particularly painful for Persimmon which appeared to have signed off on terms they had absolutely no intention of agreeing. Despite Collins LJ recognising that all prior documentation supported Persimmon’s construction, Persimmon found themselves not only victims of loose drafting but of legal principles that some may view as giving rise to the occasional injustice.

What is clear is that the courts will not deviate from the basic rule that prior negotiations are not normally admissible as an aid to contractual interpretation and the private dictionary exception to that rule does not extend to the construction of terms defined in a contract. Collins LJ was not entirely convinced that the policy reasons behind the exclusion of pre-contract negotiations, based on ensuring legal certainty, were conclusive. Indeed, Lord Hoffmann (in *Investors Compensation Scheme v West Bromwich Building Society* [1998] 1 WLR 896) accepted that the boundaries of the exceptions to the rule were not clear. That may well still be the case, but following *Chartbrook* those boundaries appear to have been drawn a little tighter.

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