McDermott Will & Emery

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PATENTS

Methods of doing business—the sequel to *Aerotel**

In *Aerotel Ltd v WaveCrest Group Enterprises* [2008] EWHC 1180 (Pat), HH Judge Fysh essentially disregarded the previous Court of Appeal decision and revoked the Aerotel patent as being obvious and comprising unpatentable subject matter (*i.e.,* for being a method of doing business).

BACKGROUND

The now expired patent, GB 2,171,877 (the Patent), owned by the Israeli company, Aerotel, was entitled simply "Telephone System". Aerotel's main business activity, according to Judge Fysh, was the "licensing (and litigating) of the Patent and its equivalents in other jurisdictions". The Patent claimed a method of making pre-paid telephone calls from any telephone, plus the related hardware. The method was described in conceptual rather than in detailed electrical or electronic terms and was illustrated through numerous diagrams illustrating a network of "boxes" that were each linked, labelled and numbered to demonstrate the nature of the Aerotel invention. A particular group of such boxes was collectively referred to as a "special exchange" and one of the central arguments for the case turned on what exactly this term meant and what function it performed within the patented system.

There were six Defendants in total, all part of the same group of companies supplying telephone services through a number of systems and offerings. Essentially there were three products and/or services offered by WaveCrest that were alleged to infringe the Patent. These were: WaveCrest's Calling Card System, which involved the use of individual pre-payment cards for making calls sold at sundry retail outlets; telephone calling services known as "GoTalk" and "Talkback"; and a modification of Go Talk called "Go Talk Carrier Pre-Select". All these services were routed through the WaveCrest computerised national transit switch located in Docklands, London. The telephone calls were then routed via the national transit switch through a further separate switch (also located in Docklands) known as the "Digitalk Platform".

DECISION

WaveCrest countersued Aerotel for revocation of the Patent on numerous grounds in addition to the lack of patentable subject matter under s 1(2) of the Patents Act 1977. In brief, WaveCrest produced legions of citations in support of their argument that Aerotel's patent lacked novelty and was completely obvious to the skilled person at the time of the priority date in 1985. WaveCrest also contended that the Patent specification was wholly insufficient and did not provide enough information to permit a skilled person to ascertain precisely the nature of the invention. Aerotel injected a fiery note by suggesting that one of the main pieces of prior art cited against them had been dishonestly doctored by a third party. They also argued that all the relevant prior art cited involved "post billing of telephone calls" which were entirely different to the Aerotel "pre-pay" systems. As an antidote to the obviousness objection, Aerotel relied on the commercial success of the invention and put forward two matters in support: details of the licensing of the Patent and its foreign equivalents and the substantial revenues generated by WaveCrest (and by Telco, the earlier defendant in the Court of Appeal case) as a result of their allegedly infringing activities.

THE PATENT

For the purposes of both infringement and validity, Judge Fysh concerned himself almost exclusively with two claims, claims 1 and 9, being alternative facets of the same underlying invention. Claim 1 related to "A method of making a telephone call from any available telephone" whereas claim 9, was in effect a product claim directed to "a telephone system for facilitating a telephone call from any available telephone station". At the heart of both claims was the requirement of pre-payment for the call, for use with "any" telephone and the notion of the Special Exchange to do all things necessary to perform the claimed invention.

An important point noted by the Court was that although the use of computer driven switches were used for carrying out a number of important functions in the Special Exchange, the Patent did not concern itself with details of either the hardware or the software for use within the system.

According to the Court, although Aerotel's patent was entitled "Telephone System", the title was a misnomer as it did not, in fact, propose a telephone system. Rather, the invention was intended to be put into effect *within* an existing telephone system. Aerotel's patent was drafted in essentially conceptual, non technical language. Its diagrams, for example, were an assembly of interconnected and numbered boxes (called "blocks"). The use of computers was loosely proposed but these were described without qualification—other than by the function they were to perform.

Judge Fysh summarised the invention quite neatly: "In my opinion the inventive concept claimed in the Patent is a system and method for making prepaid telephone calls conveniently and inexpensively from any available telephone. The system includes a special exchange which sits behind the local exchange and thus obviates the installation of specialised telephones or equipment on each telephone line" and "[a]ccordingly, it is a method of using any telephone for prepaid telephone calls… that benefits travellers and others having a need for the availability of telephone service from any telephone."

During the course of the trial, it was necessary to refer to several block schematic diagrams of various operational schemes for telephone systems. In WaveCrest's reply evidence, a schematic drawing was submitted of how the system proposed in the Patent worked. In the end, this was what Judge Fysh relied on in determining the revocation matter against Aerotel. The "inner" path demonstrated how conventional telephone calls were made.

NOVELTY

The Court was inclined to dismiss the lack of novelty as Judge Fysh accepted that the prior art submitted by WaveCrest involved payment systems other than pre-pay ones central to the claims of the Aerotel Patent.

OBVIOUSNESS

There was no issue between the parties as to the correct applicable law regarding inventive step, namely the sequence of steps to be analysed as per Jacob LJ in *Pozzoli v BDMO* [2007] EWCA Civ 588.

The inventive concept

The inventive concept was a system and method for making prepaid telephone calls conveniently and inexpensively from any available telephone. It included a "special exchange" sitting behind the local exchange, thus obviating the installation of specialised telephones or equipment on each telephone line.

Differences between the prior art and the inventive concept

According to Judge Fysh, "but that is a post-payment method" was Aerotel's only response to every item of prior art. Pre-payment, according to Aerotel was what made the invention completely different from what had been done before. By use of computer memory to control switches to exploit this new perception, Aerotel had made a significant and patentable advance in the provision of telephone services to the public. Wavecrest accepted that all the citations were indeed directed to post-payment proposals but this did not save Aerotel. Once they opted to concentrate only on the pre-payment aspects of the invention, the other features of their claims inevitably followed—and by the use of a combination of well known hardware. This was the final nail in the coffin and Judge Fysh duly declared the Patent obvious. According to Judge Fysh, "the *idea* of requiring payment in advance for telephone calls is in my judgment, completely obvious".

The Court also considered whether it was obvious to incorporate this *idea* of pre-payment for calls into the architecture of a telephone system in the manner described and claimed in claims 1 and 9 of the Patent.

The sequence of operation of the all important method claimed was as follows:

i. The caller pays cash or uses a regular credit card to buy a PIN number and thus "call time" or telephone call credit.

ii. He picks up the telephone inputs the correct service number together with the number he wishes to call.

iii. Three matters: PIN number, number to be called and credit, are recorded by the service provider in the memory of a processor (which is not something that a local exchange can do), this being a function of the Special Exchange.

iv. The Special Exchange verifies the PIN and creditworthiness of the caller.

v. The computer compares the caller's credit with the minimum cost of the call and

vi. Sets up the call and monitors the credit as it is used and

vii. If the credit is exceeded, the call is disconnected.

According to the Court, except for the role of the Special Exchange, all the other elements were the inevitable consequence of choosing pre-pay as the means for charging for telephone calls. Apart from making use of computer driven switches in the Special Exchange, steps (v), (vi) and (vii) above were collectively identical to what happened when pre-payment was effected by cash or by the use of, for example, BT Phonecards, many years before the priority date.

Aerotel attempted to counter Wavecrest's submissions by arguing commercial success of the invention and posed the classic question: "If pre-pay calling was known and (as WaveCrest say) obvious, why did not telephone companies such as BT adopt the pre-pay calling system proposed in the Patent?"

Commercial success

Aerotel's arguments on commercial success related to licensing agreements that Aerotel entered into with a number of companies and the income arising from those agreements. All but the Telco agreement (*i.e.,* the one disputed in *Aerotel v Telco*) was in respect of the settlement of litigation under the U.S. equivalent of the Patent. The existence of such licences was not in doubt but WaveCrest submitted that their existence alone was no evidence whatever of commercial success.

WaveCrest noted first that Aerotel was apparently simply a licensing vehicle—it provides no telephone services. WaveCrest further noted that two of the licences were entered into with bankrupt companies and, apart from the Telco settlement, none of them related to the Patent. Moreover, in answer to "long felt want", WaveCrest pointed to the fact that none of the settlements related to activities occurring in the first 10 years or so of the life of the Patent.

According to the Court, commercial success was, at best, a secondary measure or aid to assessing obviousness. By itself, commercial success is "of very little importance". Judge Fysh held that a successful licensing programme may of course have been the result of a number of variables that had nothing to do with the Patent (or its U.S. equivalent): commercial considerations, the high cost of IP litigation, the parties' respective negotiating skills and so on.

In the end, a supposed new way of making pre-paid phone calls from any telephone as claimed by Aerotel did not involve an inventive step when compared with other innovations in the telecoms field in the 1980s and in light of the fact that BT had a similar system in place, called AccountCall. In Judge Fysh's view, there was "no degree of invention required whatever in relation either to an initial decision to arrange for pre-payment rather than post-payment for the telephone calls made by AccountCall or to the implementation of such a decision and…..[t]he Patent is therefore in my judgment also invalid on the ground of obviousness in the light of the use of BT AccountCall."

Excluded Matter: Aerotel v Telco in the Court of Appeal

Aerotel sued Telco for infringement of the Patent and Telco counterclaimed for revocation and applied for summary judgment, basing the application on the exclusion to patentability. The application succeeded and an order for revocation was made. Aerotel appealed, but prior to the appeal being heard it reached a settlement with Telco. Telco withdrew its opposition to the appeal which was nevertheless heard on its merits by the Court of Appeal.

At first instance, Lewison J considered only the method claim—claim 1. He held that the way in which the Patent described the method and the way in which it solved the problem of payment for telephone calls led to the conclusion that it described no more than a method of doing business. It was thus unpatentable under the Patents Act and under Article 52 of the European Patent Convention.

According to Judge Fysh, the Special Exchange function as seen in the diagrams comprised essentially interactive computers that were programmed to operate switches enabling the claimed system to work. In its judgment, the Court of Appeal (Jacob LJ delivering the judgment of the Court) went at length into the correct approach to the construction of Article 52, on how to determine "a technical effect". Essentially one had to ask whether the invention made a technical contribution to the known art using a four step set approach devised by Jacob LJ to answer the enquiry, namely

i. Properly construe the claim.

ii. Identify the actual contribution made by the patent.

iii. Ask whether it falls solely within the excluded subject matter and

iv. Check whether the actual or alleged contribution is truly technical in nature.

The Court of Appeal looked upon the system claimed in claim 9 as a claim to a new physical device, comprising an assembly or combination of conventional components. It held that the system proposed in the Patent, as illustrated in Aerotel's block drawing was new as a whole and that this was the contribution made by the Patent to telecommunication systems at large. Furthermore, the method of claim 1 essentially claimed the use of this new system and therefore was also patentable subject matter.

However, according to Judge Fysh, the Court of Appeal came to its conclusion absent the prior art raised by WaveCrest in the current case. The Court of Appeal was unaware, for example, that the existence of an exchange "sitting behind the local exchange" (and consisting of conventional computers programmed to carry out some (but not all) of the tasks required of a Special Exchange), had not only already been proposed in the prior art supplied by WaveCrest, but had actually become part of the common general knowledge.

Aerotel argued that, in fact nothing had changed since the Court of Appeal decision and that this Court was bound by it in spite of the Court's findings on obviousness. This did not sit well with Judge Fysh, who reiterated that he regarded the "problem" to be solved by the Patent as in fact trivial and inevitably this coloured his view of Aerotel's "actual contribution" to the art. According to Judge Fysh, the invention worked in the same overall manner as the extra computer driven exchange (with switches) in the prior art and the election to solicit pre-pay clientele was unarguably a "business method". The consequence in "computer terms" formed no part of the invention; it was accomplished merely using software. Moreover, even if it had formed part of the invention, it would only involve the construction of appropriate computer programs and would therefore also be excluded from patentability.

The case was dismissed with the Patent revoked on the grounds of obviousness and lack of patentable subject matter. The four step test on excluded subject matter appears to remain intact.

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If it is obvious to try, it still might not be obvious (obviously)

In *Conor Medsystems Inc v Angiotech Pharmaceuticals Inc* [2008] UKHL 49, the House of Lords has revisited the test of "obvious to try" most often raised in patent validity actions. This decision has far reaching implications, especially across the pharmaceutical sector. Led by Lord Hoffmann, the House reversed decisions of both the High Court and Court of Appeal that Angiotech's patent for taxol coated stents was invalid for obviousness. According to Lord Hoffmann, both lower Courts had wrongly identified the inventive step of the patent by ignoring the clear wording of the claims in issue and giving too much weight to the description of the invention contained in the specification.

BACKGROUND

Angiotech Pharmaceutical Inc. was a joint owner of European Patent No. 0706376 (the Patent) claiming, among other things, a stent coated with the drug taxol for "treating or preventing recurrent stenosis". The stent produced under the Patent has been highly successful in acquiring the largest share in the market related to drug eluting stents. Taxol was already known at the Patent's priority date as an anti cancer drug, especially for the treatment of various stages of breast cancer, by acting as an inhibitor of cell division with unfortunately, some quite unpleasant side effects.

The U.S. medical device company, Conor Medsystems Inc. applied to revoke Angiotech's Patent on the grounds of obviousness based on an earlier Angiotech European patent that described a stent coated with a polymer containing taxol.
At the time Angiotech filed their priority patent in the United States, it was well known that when a bare metal stent was used to keep a coronary artery open, damage to the inner lining of that artery caused a reaction during the healing process, which could ultimately result in a build-up of tissue around the stent, which in turn could cause angina. This tissue growth is known as restenosis.

EARLIER DECISIONS

The Patent in its original form claimed various uses of compounds such as taxol in the treatment of cancer and in the use of such compounds on stents for the treatment of restenosis. The Patent in this form was opposed at the European Patent Office (EPO). As a result of this EPO opposition, the claims for treating cancer and other diseases were abandoned and the Patent confined to the use of taxol on stents, which resulted in various amendments to the claims. The claim at the centre of the dispute was claim 12 for a stent "for treating or preventing recurrent stenosis".

Conor then filed for revocation of the Patent in February 2005 in both the United Kingdom and the Netherlands, arguing that Angiotech's Patent merely asserted that taxol was worth trying, and did not show that it actually worked. The UK High Court accepted Conor's argument. In the Court of Appeal, Lord Justices Mummery, Tuckey and Jacob found that Angiotech's claim added nothing to existing knowledge in the subject area of the patent and was therefore obvious. The court in the Netherlands, however, found that it was sufficient for Angiotech to provide in its specification an indication that taxol would work. As a result, Conor's revocation attempt in the Netherlands failed.

Angiotech appealed to the House of Lords on the basis that the decision of the Dutch court was correct, meaning its Patent was valid and therefore the UK decisions should be overturned. Almost immediately after the Court of Appeal decision, Angiotech and Conor reached a settlement, with Conor bestowing on Angiotech its blessing in pursuing its appeal to the House of Lords. The Comptroller General of Patents therefore "assisted" the House of Lords by presenting arguments against the validity of the Patent.

DECISION

It came as no surprise to Lord Hoffmann that the Dutch courts could rule in a fashion that was directly opposite to their UK counterparts. A European patent was a bundle of national patents over which the national courts had jurisdiction, so it was inevitable that national courts would occasionally give inconsistent decisions about the same patent. Sometimes this was because the evidence was different or, as was the case regarding the Angiotech Patent, the issue was one of degree over which judges could legitimately differ. Obviousness was often in this latter category and it was desirable where possible for national courts and the EPO to find a uniform interpretation of the European Patent Convention. This was especially true when it came to a fundamental determinant of patentability such as how to identify the concept of "inventive step" under Article 56 EPC and Section 1(1)(b) of the Patents Act 1977. Article 56 provides that an inventive step is involved in an invention "if, having regard to the state of the art, it is not obvious to a person skilled in the art".

INVENTIVE CONCEPT AND SUFFICIENCY OF SPECIFICATION

Conor argued throughout the numerous proceedings that the alleged inventive concept provided by Angiotech in the specification of the Patent was merely an idea of coating a stent with taxol to deal with the restenosis problem and that the Patent taught nothing further than taxol "was worth a try". According to Conor, this "worth a try" teaching added nothing to the existing knowledge in the subject area.

Conor further argued that it was common knowledge to anyone skilled in the art that taxol, like many other drugs and medicaments acting as anti-proliferatives, was worth considering. As a result, this was an obvious and natural development in the art.

Lord Hoffmann held that Conor's argument was "an illegitimate amalgam of the requirements of inventiveness (Article 56, EPC) and either sufficiency (Article 83, EPC) or support (Article 84, EPC) or both". Lord Hoffmann was adamant that it was the claimed invention that had to involve an inventive step and that an invention was, on the face of it, what was claimed by the patentee and not just what was stated or described in the specification of a patent. In this case the inventiveness lay in Angiotech's claim that the product would have a particular property or quality, namely to prevent or treat restenosis. Whereas it was true that the specification said very little about the details of how or why taxol would be efficacious in preventing restenosis, Angiotech saw and subsequently claimed in its Patent the solution for restenosis in terms of preventing angiogenesis (by use of taxol). Unfortunately, other than the provision of a series of CAM tests, Angiotech had offered little proof that this claimed solution was in fact correct. As a result, Angiotech was at risk of a finding of insufficiency, but if the invention did work (which, as it turned out, it did with great success) then it would not matter actually why it worked as the reason might have nothing to do with anti angiogenesis. Angiotech's specification would nevertheless still be sufficient if, for whatever reason, taxol coated stents possessed the claimed property of preventing or treating restenosis.

Lord Hoffmann was in complete agreement with the opinion of the Dutch court. The Dutch court was not addressing itself to whether the taxol worked, or whether the specification proved that it would work, but to whether the specification taught that it should be used and it did so by reference to the disclosure of the success of the taxol in the CAM assay and the specific references to taxol in the claims. Jacob LJ had completely dismissed these points as well as the reasoned opinion by the Dutch court.

Therefore, the appropriate question was whether it was obvious to use a taxol coated stent for the prevention or treatment of restenosis and not whether it was obvious that taxol (among many other products) might have this effect. According to Lord Hoffmann, Angiotech was entitled to have "the question of obviousness determined by reference to the claim and not to some vague paraphrase based upon the extent of the disclosure in the description". There was no requirement in the European Patent Convention or the 1977 Act that the specification had to demonstrate by experiment that the invention would actually work or explain why it would. It was sufficient if, for whatever reason, taxol coated stents possessed the claimed property of preventing or treating restenosis.

OBVIOUSNESS

According to Lord Hoffmann it was hard to see how the concept that something was worth a try, or might have some effect, could be described as an invention such that a patent should be awarded. Lord Hoffmann therefore had some sympathy for Pumfrey J who issued the first decision in this chain of cases. Nonetheless, the test for obviousness that Pumfrey J devised for such an "invention" was whether it was obvious to try it without any expectation of success. This was an "oxymoronic concept" and had no precedent in the law of patents.

Lord Hoffmann agreed that a patent cannot be granted for an idea that was mere speculation, unsupported by anything disclosed in the specification. Article 84 EPC and Section 14(5)(c) of the 1977 Act state clearly that the claims must be "supported by the description", but lack of support under these provisions is not a ground on which a patent can be revoked under Section 72(1) of the Act. In Angiotech's case, since the Patent already had been granted by the EPO, Article 84 was no longer an issue that could be raised.

In the Court of Appeal, Jacob LJ upheld Pumfrey J's judgment on the ground that the Patent contained no proof that taxol was especially suitable for the prevention of restenosis. Lord Hoffmann agreed that the Patent's description did not offer any direct evidence or proof regarding taxol's suitability for the prevention of restenosis, although Angiotech had provided in the Patent a theory regarding taxol's anti-angiogenic properties and its resulting prevention of restenosis. If Angiotech's theory had in fact turned out to be false, the Patent would have been insufficient, but according to Hoffmann J "there was no reason as a matter of principle why, if a specification passed the threshold test of disclosing enough to make the invention plausible, the question of obviousness should be subject to a different test according to the amount of evidence which the patentee presented to justify a conclusion that his patent would work".

The central issue before the Court of Appeal was essentially whether the teaching of the Patent was that "a taxol-coated stent would prevent or treat restenosis". Jacob LJ wholeheartedly disagreed with the Dutch court which had held that this was precisely what Angiotech's Patent taught the skilled artisan. According to Jacob LJ, the Dutch court had formed its view "with the hindsight knowledge that taxol stents work". However, according to Lord Hoffmann this was not a fair criticism. The Dutch court had not been addressing itself to whether taxol worked, or whether the description in the Patent in fact proved that it would work, but to whether the specification taught that it should be used. In reaching his decision, Jacob LJ considered that there was nothing in the Patent specification that indicated taxol was particularly suitable as an anti-angiogenic for a stent. Jacob LJ would have been correct if he had meant there was no proof in the specification that taxol would work. If, however, Jacob LJ meant that the specification did not claim that taxol would work, then Lord Hoffmann considered this "a very narrow approach to the meaning of the Patent, more suitable to old fashioned statutory construction than to what the skilled practitioner in cardio-vascular intervention would have understood". The evidence was that the teaching of the Patent was to use an anti-angiogenic factor on a stent to prevent or treat restenosis, and that taxol was the best anti-angiogenic known. Lord Hoffmann, however, simply could "not understand what more the patentee could have said".

In the Court of Appeal, Jacob LJ had dealt comprehensively with the question of when an invention could be considered obvious on the ground that it was "obvious to try". According to Lord Hoffmann, he had correctly summarised the authorities, starting with Diplock LJ's judgment in Johns-Manville Corporation's Patent [1967] RPC 479, by saying that the notion of something being obvious to try was useful only in a case in which there was a fair expectation of success. How much of an expectation would be needed depended upon the particular facts of the case. Unfortunately, Jacob LJ rejected this approach on the grounds that Angiotech's Patent "was not an obvious to try case of the Johns-Manville type" because the Patent had not in any way demonstrated that taxol actually worked to prevent restenosis.

Lord Hoffmann commented:

"[N]either the judge nor the Court of Appeal answered what I consider to have been the correct question, namely, whether it was obvious to use a taxol-coated stent to prevent restenosis… I agree with the Dutch court that patent law does not require a demonstration [by Angiotech that taxol actually works to prevent restenosis]. It was not a sufficient reason for not applying ordinary principles of obviousness to the claimed invention."

OBVIOUS TO TRY

Lord Hoffman indicated that the obvious to try approach "was useful only in a case in which there was a fair expectation of success. How much of an expectation would be needed depended upon the particular facts of the case". Citing with approval the first instance judgment of Kitchin J in *Generics v Lundbeck*, Lord Hoffman said that this issue should take account of all the relevant circumstances, including the problem the patent addresses, the number and extent of the possible avenues of research and the effort involved in pursuing them.

Lord Walker added some further observations on the "obvious to try" test. The origin of the test had been the *Johns-Manville* judgment issued by Diplock LJ over 40 years ago in a case about a method for production of asbestos cement, which was a fairly low tech process. According to Lord Walker, during the last 40 years the volume of high tech research had increased enormously, especially in the fields of pharmaceuticals and biotechnology. The resources committed to research were enormous, because the potential rewards in worldwide markets were so great. Competition was fierce. In this climate "obvious to try" had tended to take on a life of its own as an important weapon in the armoury of those challenging the validity of a patent.

In his book *Intellectual Property in the New Millennium* Sir Hugh Laddie had described this as being "an unworkable or irrational test", because if the reward for finding a solution to a problem and securing a monopoly for that solution was very high, large companies could judge it worthwhile to try all potential solutions. This had the irrational result that the more valuable the solution and the greater the need for it, the harder it would be to avoid an obviousness attack. This was a similar analysis to that provided by Lord Justice Jacob regarding the present Patent, in particular whether there was nevertheless a requirement to satisfy the inventive step requirement to test a product "without any expectation of success" (which Lord Hoffmann referred to as an "oxymoronic concept" when put forward by Pumfrey J).

Lord Walker was of the firm opinion that the inventors and those who drafted the specification have "brought the tribulations of this litigation on themselves" as the Patent understandably tried to cover and protect as much ground as possible but in doing so "they risked making it so unfocused as to end up with nothing capable of resisting a challenge to its validity".

COMMENT

As Lord Neuberger stated in his concurrence with Lord Hoffmann's opinion, "this decision represents a significant development in United Kingdom patent law". This decision will have particular impact in the pharmaceutical and biotechnology industry where costs of research and the rewards on offer are high. In such areas there are often many groups working toward a common goal and/or addressing the same problems in different ways, which has led to the prevalence of the "obvious to try" approach of attacking validity.

Despite Lord Walker's discouraging comments on the "obvious to try" approach, Lord Hoffman approved its application in the right type of case. It is therefore likely that such attacks will continue, albeit with greater emphasis on the wider circumstances and whether there was a "fair expectation" of success. What is clear is that those wider circumstances do not include the extent of disclosure of the patent.

This decision sits neatly alongside the recent Court of Appeal decision (in which Lord Hoffman also gave the leading judgment) of *Generics v Lundbeck*. These decisions emphasise that the invention is defined exclusively by the claims and that it is wrong to paraphrase the specification to identify what has previously been referred to as the "technical contribution" of the Patent for either obviousness or insufficiency purposes.

Provided the patent provides "enough to make the invention plausible" there is no need to provide substantial teaching in the specification as to how or why the invention works, provided that it does indeed work (even by a different mechanism from that set out in the patent). This might be seen as encouraging speculative patent applications before the full extent of research has been carried out, particularly in fast moving industries. However, the judgment did not go so far as to indicate that a "plausible" invention would necessarily be sufficiently described or supported by the specification.

The decision will be welcomed by many patent proprietors as it will be perceived as bringing the English courts more into line with the continental European approach. It will also go some way to alleviate the widely held view that the English courts are significantly more likely to invalidate patents.

Loose lips sink ships—posting inventions on secure internet servers may affect your patent rights in USA

In *SRI International v Internet Security Systems Inc and Symantec Corp* [2008] (U.S. Federal Circuit) 2007-1065, a U.S. court held that a disclosure posted onto a computer server that is for all intents and purposes "secure" could still irrevocably destroy the novelty of a U.S. patent. This should be viewed as a warning to all would-be patentees interested in pursuing patent protection in the United States.

BACKGROUND

Early in 2008, the Federal Circuit handed down an important decision. Although not well publicised, the decision is nonetheless quite worrying in its potential scope for damaging a patentee's chances of a valid patent in the United States.

The United States is one of the last remaining jurisdictions still permitting a so-called "grace period" of one year after the first publication of an invention in order for the patentee to file a patent application. If the patent application is filed after this year of grace then the grant of the patent will be barred owing to a lack of novelty. Under 35 USC Section 102(b) "a person shall be entitled to a patent unless…the invention was…described in a *printed publication*…more that one year prior to the date of the application for patent" (author's emphasis). As is the case with many pieces of legislation, this legislation was enacted well before any of the technology advancements related to computers and the availability and ease of access of information through the internet.

SRI International, a U.S. based non profit research institute for government agencies, commercial businesses, foundations, and other organisations, was the owner of four U.S. patents related to cyber security and intrusion detection, specifically "a computer-automated method of hierarchical event monitoring and analysis within an enterprise network". In layman's terms these were patents for monitoring malicious or dangerous activity over large internet networks. These four patents all claim priority from an application filed on 9 November 1998.

The SRI inventors were a prolific bunch and authored numerous peer review papers prior to the filing of the priority patent application. In 1997, the inventors were preparing for an international symposium to take place in early 1998 and were required by the organisers of the conference to deposit the various papers they were going to present, via email, no later than 1 August 1997. They duly created a backup copy of the papers on the SRI server. These papers were in fact the precursor to the priority patent application filed in November 1998. The SRI server therefore contained a backup copy of the papers more than one year before the priority filing date. However, even though this server was publicly available, copies of the papers were only accessible to those who were given the full FTP address. FTP stands for "File Transfer Protocol" and is claimed to be the most secure way to exchange files over the internet. As a result, the most common use for FTP addresses is to download files from the internet. Because of this, FTP is the backbone of MP3 music dowloading and vital to most online auction and game enthusiasts. In addition, the ability to transfer files back and forth makes FTP essential for anyone creating a web page.

FAST FORWARD 10 YEARS…

SRI was granted its U.S. patents and sued Internet Security Systems Inc (ISS) and Symantec Corp for patent infringement. ISS and Symantec defended their actions by arguing that the SRI patents were invalid under the printed publication bar of Section 102(b) in view of the papers on the SRI server. The Federal district court granted the Defendants' motion for summary judgment that the patent claims lacked novelty in light of a document called *Live Traffic Analysis of TCP/IP Gateways*. This case was then appealed to the Court of Appeal for the Federal Circuit—the main court of appeal for intellectual property matter in the United States.

Over the years, the Federal Circuit has issued advice and numerous decisions regarding what should be included in the assessment of novelty under Section 102. One of the leading cases, *Brukelmyer v Ground Heaters Inc*. [2008] 02-CV-1761 (D. Minn.), held that "a given reference is *publicly accessible* upon a satisfactory showing that such a document has been disseminated or otherwise made available to the extent that persons interested and ordinarily skilled in the subject matter or art exercising reasonable diligence, can locate it" (author's emphasis).

The Court of Appeal was therefore faced with determining how the public accessibility standard would apply to a publication that was posted on a publicly available internet server, but not indexed other than by its file name.

There was also precedent, however, concerning a graduate student's thesis that had not been catalogued or placed on the library shelves being held not "publicly accessible" because a search would not have produced the thesis document even if the search had been performed by someone who knew of its existence. Similarly, a graduate thesis that had been listed only by the author's name in an alphabetical index was also not publicly accessible since the author's name bore no relationship to the subject matter of the thesis. If, however, a paper or a foreign patent application was properly classified, indexed and/or abstracted this would be considered by the courts and the U.S. Patent Office as being "publicly accessible", as the purpose of such postings was to communicate the relevant information to the interested public.

For SRI, the saving grace was that even though the SRI paper placed on the publicly available server was essentially available to any person with FTP know-how and knowledge of the subdirectory containing the paper, this posting was not publicised or "made available to persons interested the subject matter". The paper was in fact not indexed or catalogued and was only available to a few persons provided with the full path and file name of the paper. The Court held that this "publication" was not intended for dissemination to the public and that the posting was "more non-accessible than accessible" and held that without further facts about accessibility the posting of the relevant paper did not constitute a printed publication bar under Section 102(b).

One of the judges dissented from the majority's holding relating to the SRI paper. In this regard, Judge Moore would have held that the Defendants presented sufficient evidence demonstrating that the SRI paper was posted on the internet on a public FTP server, by his calculations for seven days. It was therefore, in his view available to anyone prior to the critical date. In contrast, SRI failed to introduce any evidence showing a genuine issue of material fact as to the public accessibility of the SRI paper. While SRI presented attorney argument in this respect, Judge Moore did not believe this was sufficient to fill the void caused by the lack of evidence. For SRI, thankfully, Judge Moore was in the minority and as a result the patents still had their novelty intact.

CONCLUSION

For SRI clearly this case had a happy ending, but if the server had somehow been structured in such a way that an easy search of the subject matter was possible, the outcome would have undoubtedly been different. The take home message is that it is ALWAYS best to file an application before any dissemination of information regarding an invention may potentially find its way into the public domain. Clearly the inventor's paper would have destroyed any hopes of patent protection in the United Kingdom and/or Europe, but those inventors who feel it is imperative "to publish or perish" (a category which all too often includes individuals in academia or employed by research facilities) should be aware of where and how documents are to be stored and indexed.

TRADE MARKS

Suspension of earlier declaration of invalidity of trade marks

On 18 July 2008, the English High Court handed down its decision in *Rousselon Freres et cie v Horwood Homewares Ltd* [2008] EWHC 1660 (Ch). This was the sequel to an earlier decision of Mr Justice Warren granting Rousselon Freres, the manufacturer of the world famous Sabatier knives, a declaration of invalidity against two UK trade marks registered to Horwood Homewares for knives in Class 8.

In the earlier decision, the Horwood marks JUDGE SABATIER and STELLAR SABATIER were deemed by Warren J to create a likelihood of confusion with the numerous Rousselon SABATIER marks. In the subsequent hearing on 22 May 2008, Horwood sought suspension of the declaration of invalidity pending the outcome of its own application before the UK Intellectual Property Office (UK-IPO) to invalidate or revoke Rousselon's registered SABATIER marks. At the original hearing, Warren J was asked to decide whether, in fact, the court had jurisdiction to suspend the declaration and, if so, whether the court should actually exercise that discretion.

CURRENT APPLICATION

Rousselon was clearly entitled to declaratory relief to reflect Warren's judgment; that is to say, to a declaration that Horwood's marks were invalid so far as concerns Class 8. Horwood accepted that there was no general discretion to refuse a declaration, notwithstanding the use of the word "may" in Section 47(1) of the Trade Marks Act 1994. Nonetheless, Horwood sought suspension of the declaration pending decisions on Horwood's application to invalidate or revoke Rousselon's trade marks. Rousselon countered by arguing that, although under CPR Part 52 the court may have the power to grant a stay, or at least what amounts to a stay (for instance by delaying the grant of the declaration), of the court's decision pending appeal, the court had no other power to suspend the effect of its decision and, in particular, it had no power to do so pending Horwood's invalidity/revocation applications. If wrong on that score, Rousselon argued that Warren J should decline to exercise that power. Horwood naturally argued that the court does have such a power and that it should be exercised by suspending the effect of the declaratory relief.

DECISION

Rousselon further argued that a court should not strain to find a jurisdiction to suspend the declaration in order to dig Horwood out of hole which it had dug for itself. According to Warren J, that may indeed be the case, but equally, if he found such jurisdiction to exist without any strain, he should not decline to do so simply because Horwood might have been able to protect its position in a different way. If relevant at all, that would go only to the exercise of the discretion permitted under CPR Part 52 concerning judicial stays.

The judge then explained that the court had jurisdiction to suspend the making of a declaration of the invalidity of a trade mark, not only where an appeal against that decision was pending but in other circumstances too. This applies as long as its jurisdiction was exercised in a manner that was appropriate to a stay of execution and which did not cast aspersions on the validity of the original judgment. In global terms, a declaration of invalidity had implications that far exceeded its effect on the parties to the litigation. A registered trade mark is a property right enforceable against the world. A declaration of invalidity would result in an appropriate entry being made in the register, which could be relied on by everyone and was effectively regarded as irreversible. It was not disputed that, pending an appeal, orders for revocation and declarations of invalidity were often suspended and there was jurisdiction to do so in this case.

IT Marks and Likelihood of Confusion

In *SHS Polar Sistemas Informáticos SL v OHIM* [2008] T-79/07 (unreported), the Court of First Instance (CFI) rejected an opposition, originally upheld by the Office for Harmonization in the Internal Market (OHIM) Opposition Division, brought by the owner of the Community trade mark (CTM), POLAR, registered for computer software, against an application to register the figurative mark, POLARIS, for computer software specifically for financial institutions. Taking into account that the relevant public was specialised and highly attentive, the Court considered that there were significant differences between the marks sufficient to dispel any likelihood of confusion.

BACKGROUND

Polaris Software applied to register the figurative sign POLARIS as a CTM for software for financial institutions in Class 9. SHS Polar Sistemas opposed the application on the basis of a likelihood of confusion under Article 8(1)(b) of the Community Trade Mark Regulation (40/94/EC) with its earlier Community word mark POLAR, registered for computers and computer programs.

The Opposition Division accepted that there was a likelihood of confusion and upheld the opposition. The Second Board of Appeal, however, annulled that decision and rejected the opposition. It considered, essentially, that, whilst they covered identical goods, namely software for use in financial institutions, the conflicting signs were conceptually different and had sufficiently distinctive visual and aural features to rule out a likelihood of confusion on the part of the relevant public. The relevant public in this case were circumspect and very attentive and consisted of staff in financial institutions responsible for the acquisition of the specialist software in question. SHS Polar Sistemas appealed to the CFI.

CFI DECISION

It was common ground that the goods covered by the trade mark applied for, namely software for financial institutions, were comprised in the wider range of goods covered by the earlier mark, namely computer programs. It was also common ground that those goods to were directed solely at the staff of financial institutions, who were responsible for purchasing the specialised software used in those institutions. As such, the public who might confuse the trade marks in question consisted only of that rather specialised public. A relevant public composed of specialists was likely to evince a higher degree of attentiveness. Furthermore, the purchase of specialised software, which was expensive and generally the fruit of many years of development, often in collaboration with the final consumer, required a scrupulous selection process, during which the consumer concerned would examine various products on the market. The Board had therefore been right to take into account the nature, in particular the highly technical character, and the price of the goods concerned, in finding that the degree of attentiveness of the relevant public at the time of purchase would be particularly high.

The Court was not persuaded, as Polar Sistemas argued, that the Board should have taken into account the fact that the earlier mark covered a wide range of software and encompassed in particular software for personal use. On account of the fact that the trade mark application referred only to software for financial institutions, the Court was satisfied that the Board had correctly assessed the likelihood of confusion by taking into account the circumstances in which that specialised software, to which both the marks related, was marketed. Even if the consumer concerned would notice the earlier mark when purchasing non specialised software and pay less attention on such an occasion, that argument did not preclude account being taken of the particularly high degree of attention paid by a consumer when he purchased the specialised software in question. Accordingly, the Board could not be criticised for failing to have envisaged the possibility that the choice made between different specialised software by the professional consumer concerned, could be influenced by his earlier experience acquired when purchasing software for personal use.

As to the assessment of the degree of similarity between the marks, the Court agreed with the Board that, for a very attentive consumer, the significant differences between the marks at issue, each considered as a whole, overrode their similarities. Visually, the length of the respective marks was different and one had a graphic on the letter “a”. Aurally, despite their common root, the words “polar” and “polaris” were pronounced differently. For an attentive consumer, that difference remained significant, even if the stress was put, as SHS Polar Sistemas submitted, on the second syllable of both words: “lar” and “la” respectively. Additionally, whilst the beginning of the marks was identical and, in principle, the initial part of word marks was more likely to capture the attention, the Court pointed out that this was not true in all cases and could not, in any event, cast doubt on the principle that an examination of the similarity of trade marks must take into account the overall impression produced by them.

As far as the conceptual comparison was concerned, the fact that the words had the some root did not necessarily mean that they would be associated with the same idea. That was true, in particular, where, as in the present case, one of the words (“polar”) could, in some languages, have a clear conceptual meaning that the other (“polaris”) did not have. Thus there was little or no conceptual similarity between the marks.

In conclusion, taking into account the particular circumstances in which the goods concerned were marketed, the CFI found that there were sufficient differences between the marks at issue to dispel any likelihood that the consumer concerned, who was especially attentive, might believe that the goods covered by those marks originated from the same undertaking or economically-linked undertaking.

COMMENT

The Court refused to acknowledge that financial services professionals may, in their professional capacities, come across software products not specifically designed for financial institutions. Leaving aside the differences between the marks, it is interesting to consider what, if any, difference it would have made if the specification of the mark applied for had not been limited to banking whilst the earlier mark had. It is perhaps arguable that when buying financial services software, financial services staff will know what they are doing, but when buying general software they may not be so capable of distinguishing products.

Promotional slogans—registrability

In the recent Court of First Instance (CFI) decision in *Ashoka v OHIM* [2008] T-186/07 (unreported), Ashoka tried to persuade the Court that the word mark DREAM IT, DO IT! was registrable as a Community trade mark (CTM) for various services, including "promoting and providing professional assistance to individuals for the exchange of socially progressive ideas regarding public entrepreneurship and with pattern changing ideas in a variety of fields including social, economic and environmental disciplines" (Class 35) and "financial assistance to individuals and organisations" in those fields (Class 36). Not altogether surprisingly, Ashoka failed. The CFI refused to overturn a Board of Appeal decision rejecting the mark, on the basis that it would be perceived as a promotional and advertising slogan and not as an indication of the commercial origin of the services in question.

BACKGROUND

Ashoka applied to register DREAM IT, DO IT! for services in Classes 35, 36, 41 and 45. The Office for Harmonization in the Internal Market (OHIM) examiner refused registration on the grounds that the mark was devoid of any distinctive character within the meaning of Article 7(1)(b) of the Community Trade Mark Regulation (40/94/EC). The Board of Appeal upheld the decision. The Board held, essentially, that the mark transmitted the message that the services applied for would allow the consumer to fulfil his dreams and that it animated the consumer to realise his dreams; it encouraged him to try to achieve them. The Board concluded that the mark functioned first and foremost as an incitement, addressed to the relevant public, aiming to promote the services in question. Therefore, there was no reason to believe that the potential customer would see the words as functioning as a trade mark, *i.e.,* denoting a particular commercial source of the services concerned. The Board held that it followed that the sign applied for as a whole did not have the capacity to communicate to the relevant consumers that the services with which it was to be used were those of the Applicant and could not serve the basic function of a trade mark. As far as the Board was concerned, the exclamation mark at the end made no difference—it was a punctuation mark often used at the end of exhortatory and promotional formulas.

APPEAL TO THE CFI

Ashoka applied to the CFI to annul the Board's decision. It sought to rely on the European Court of Justice (ECJ) decision in *Merz & Krell* [2001] C-517/99 ECR I-6959 for the proposition that not only is an advertising slogan not excluded, *per se*, from registration, but in order to be refused registration under Article 7(1)(b) the slogan must become customary in the current language or in the *bona fide* and established practices of the trade. According to Ashoka, it was for that reason that the Court took the view that the signs LIVE RICHLY and BEST BUY (in *Citicorp v OHIM* [2005] T-320/03 ECR II-3411 and *Best Buy Concepts v OHIM* [2003] T-122/01 ECR II-2235 respectively) were devoid of distinctive character, as the link between those signs and the services covered by the respective applications was obvious. Ashoka suggested that this was not the case for DREAM IT, DO IT!.

CFI DECISION

The CFI agreed that the registration of a mark that consists of signs or indications that are also used as advertising slogans, indications of quality or incitements to purchase the goods or services covered by that mark is not excluded as such by virtue of such use (see *Citicorp v OHIM*). That, however, was as good as it got for Ashoka. The Court stressed that a sign which, like an advertising slogan, fulfils functions other than that of a trade mark, in the traditional sense of the term, is distinctive for the purposes of Article 7(1)(b) only if it may be perceived immediately as an indication of the commercial origin of the goods or services in question. It must enable the relevant public to distinguish, without any possibility of confusion, the goods or services of the owner of the mark from those of a different commercial origin. Moreover, the distinctive character of a mark must be assessed: first by reference to the goods or services in respect of which registration has been applied for; and second, by reference to the perception of the relevant public, in this case the general public. In addition, as the mark was composed entirely of English words, account had to be taken of the perception of the average English speaking consumer.

Worse still for Ashoka, in the Court's view, the mark consisted of two short orders that formed a grammatically and syntactically correct sequence that was logically coherent. It would be noticed immediately by the relevant English speaking public who would see it as an invitation or an encouragement to achieve their dreams and they would understand the message that the services covered by that mark would allow them to realise their dreams. The Court also agreed with the Board that the presence of the exclamation mark added nothing.

Nor was the ruling in *Merz & Krell* relevant. Ashoka had failed to appreciate that that case concerned a question referred for a preliminary ruling in respect of the interpretation of Article 3(1)(d) of the Trade Marks Directive (89/104/EEC), the wording of which is the same as Article 7(1)(d) of the CTM Regulation. It was not appropriate to limit the scope of Article 7(1)(b) to only those trade marks for which registration had been refused on the basis of Article 7(1)(d) by reason of the fact that they were commonly used in business communications and, in particular, in advertising. Each of the grounds for refusal of registration in Article 7(1) was independent of the others.

The Court also disagreed with Ashoka that the mark would not transmit any clear and comprehensible information regarding the services to the relevant English speaking consumer. The word “dream” is currently used in English not only to describe dreams and a desire for happiness and success in private life, but also to describe aspirations in public fields including in political, social, economic, environmental and educational disciplines. In the Court’s view, it would be perceived as meaning that those services could help to realise dreams and aspirations. Moreover, the mark would undoubtedly be perceived by the relevant public as a promotional and advertising slogan that would refer to services of various commercial origins. That was even more so as the mark called clearly to mind notions of action and dynamism, by following the first order, “dream it”, with a second, short and urgent order, “do it!” which referred to the idea of a swift achievement of what had just been dreamed of. On account of the positive and attractive characteristics of the concepts of action and dynamism, advertisements often refer to them, even in the context of goods and services for which those concepts do not appear, at first sight, to be relevant.

The Board was therefore fully entitled to find that the mark would not be perceived by the relevant English speaking public as an indication of the commercial origin of the services in question. It followed that the mark was therefore devoid of distinctive character. The fact that other signs that were advertising slogans had been registered as Community trade marks was neither here nor there. Whether a sign may be registered as a CTM must be assessed solely on the basis of the CTM Regulation as interpreted by the Community courts, and not on the basis of previous practice of the Board of Appeal.

COMMENT

Businesses are always keen to capture for themselves punchy advertising slogans and see trade mark registration as the means to do so. The bottom line, however, is that first and foremost the slogan must be able to function as a trade mark; slogans that serve a promotional function not obviously secondary to any trade mark meaning will face objection. Consumers are not in the habit of making assumptions about the origin of products on the basis of promotional slogans. The slogan in the current case might not have had to contend with an examination for descriptiveness under Article 7(1)(c), a hurdle that many slogans fail to clear, but DON’T DREAM IT, DO IT!, as well as being syntactically conventional, was a type of motivational statement that was always likely to founder when applied to services under Article 7(1)(b). UK Intellectual Property Office guidance on the examination of slogans nevertheless suggests that the line between registration and refusal can be a fine one. For instance, it notes that whilst GO FOR IT for training courses would face objection, if the slogan is an “opaque reference” and is in respect of goods, then it might be registrable—JUST DO IT for sports shoes, for example.

How not to run a CTM opposition

In *El Corte Inglés SA v OHIM* [2008] T-420/03 (unreported), the Court of First Instance (CFI) refused to overturn an Office for Harmonization in the Internal Market (OHIM) Board of Appeal decision rejecting an opposition to the registration of a Community trade mark. The Court held that the Board had been entitled to exercise its discretion to refuse to allow the opponent, the well-known Spanish department store chain El Corte Inglés, to submit evidence it had failed to adduce to the Opposition Division.

BACKGROUND

Two Spanish individuals applied to register the mark depicted below as a Community trade mark (CTM) for, among other things, “cinema and recording studios, rent of videos, concourse (scattering), installation of television and radiophones, production of films” in Class 41.

El Corte Inglés filed an opposition under Article 8(1)(a) and (b) and Article 8(5) of the CTM Regulation (40/94/EC) based on numerous earlier registrations held in the European Union, Greece, Ireland, Spain and the United Kingdom.

The OHIM Opposition Division rejected the opposition, holding that it was not only inadmissible, since details of the goods and services covered by some of the Spanish registrations had not been provided, but also unfounded for many of the marks upon which it was based, as no evidence of their existence had been submitted. Moreover, in respect of those rights for which El Corte Inglés had provided proof, the Opposition Division found that the opposition failed, *inter alia*, on the grounds that the goods and services were not similar and insufficient evidence had been submitted to prove that the earlier marks had a reputation.

On appeal, El Corte Inglés submitted further evidence, specifically extracts from the database of the Spanish Patent and Trade Marks Office concerning three Spanish registrations, along with a press article relating to the scale of its commercial activities in Spain. The Second Board of Appeal found the new evidence inadmissible and upheld the decision of the Opposition Division. El Corte Inglés applied to the CFI to annul the Board's decision.

COURT OF FIRST INSTANCE

The Court held that the Board of Appeal had not, as El Corte Inglés argued, dismissed the action brought before it solely on the basis that the evidence was submitted out of time. Under Article 74(2) of Regulation 40/94, the Board has the discretion to take account of documents produced before it for the first time. However, in this case, El Corte Inglés had already been granted sufficient opportunity to produce all of the documents at issue before the Opposition Division.

The Court also held that the Board of Appeal had not erred in endorsing the Opposition Division's conclusion that the existence of the three earlier Spanish registrations had not been proved; the opposition based on these rights was therefore unfounded.

The Court then went on to find that documents submitted by El Corte Inglés in support of the existence of its earlier well known marks in Greece, Ireland, Spain and the United Kingdom were insufficient and did not show use of the mark in these countries, never mind that they had a reputation. Moreover, although use in Spain had been proven, no information was provided regarding the duration and extent of that use, the degree of knowledge or recognition of the marks at issue, or any other information showing the marks to be well known in Spain.

The Court was also satisfied that the Board of Appeal had acted correctly in concluding that the conflicting goods and services were not similar and therefore there was no likelihood of confusion. The descriptions of the goods and services at issue showed that the goods covered by the earlier rights differed in their nature, intended purpose and method of use from those in the contested application. The Court considered that the fact that some of the services for which El Cortes Inglés had registered its marks might be advertised on television did not mean that those marks might be linked with television productions. In addition, and in line with case law, the goods and services could not be considered to be in competition nor complementary.

The Court also agreed with the Board that Article 8(5) of the Regulation was not applicable in this case. In order to satisfy the requirement of reputation, an earlier mark must be known to a significant part of the public concerned with the goods or services covered by the mark. Despite the degree of recognition being lower than in the case of well known marks under Article 6bis, the Applicant had failed to show the intensity, duration or geographical extent of the use made of the mark, or provide any other evidence showing that its earlier rights were known by a significant part of the public. For this reason the Court found that the Applicant had not established the reputation of the earlier rights.

COMMENT

The CFI confirmed the European Court of Justice's interpretation of Article 74(2) in Kaul v OHIM & Bayer that, when hearing an appeal against a decision rejecting an opposition to the registration of a sign as a CTM, the Board of Appeal has the discretion as to whether or not to take into account facts or evidence presented for the first time. In this case, the Applicant had had numerous opportunities to present its evidence in earlier stages of the proceedings and the Board of Appeal was not sympathetic when evidence was submitted to it for the first time. Despite not offering much reasoning for its rejection of the evidence, the Board of Appeal had not acted out of line.

Adidas wins U.S. case against two and four stripe logos

Less than a month after the European Court of Justice (ECJ) ruling in *Adidas v Marca Mode* [2008] C-102/07, Adidas has won a U.S.$305 million payout in the United States from Collective Brands in a lawsuit seven years in the making. A federal jury in *Adidas AG v Collective Brands Inc* [2008] (Portland, Oregon, Federal District Court) decided that both the two and four stripe logos used by Collective Brands on its various ranges of footwear infringed the well known and, in the jury's collective mind, "iconic" three stripes of Adidas.

BACKGROUND

Collective Brands, located in glamorous Topeka, Kansas, sells shoes under several brands, including "Stride Rite". Stride Rite markets numerous brands of children's shoes and some ranges of adult products across the United States and under other brand names including Keds, Robeez, Saucony, and Sperry Top-Sider. The complaint by Adidas was that Collective Brands was selling a vast range of trainers with decorative designs comprising either a two or four stripe motif. Adidas argued that these trainers infringed its U.S. trade mark rights for its well known three stripes collection of sports shoes. In 2001, Adidas filed a suit against Collective Brands for trade mark infringement and also argued that the various articles of footwear sold by Collective Brands created actual and/or a likelihood of confusion with their own famous footwear and athletic apparel. Collective Brands argued that the differing numbers of stripes used on their footwear created a clear distinction in source of sale from Adidas' three stripes.

DECISION

In a federal jury trial lasting several weeks, a nine person jury panel in Portland, Oregon found that Collective Brands' shoes infringed Adidas' U.S. trade marks. The jury awarded damages to the tune of U.S. $305 million be paid by Collective Brands. This award comprised U.S.$30.6 million in actual damages caused to the Adidas marks and U.S.$274 million in further damages to be divided between profits of Collective Brands and, most controversially, in punitive damages.

REACTION

Virtually seconds after the jury returned its verdict, Collective Brands filed a motion seeking to have the verdict set aside, or to have the damages award significantly reduced. Collective Brands called the judgment "irrational", saying it was 15 times more than the profits made on the shoes, and complained that Adidas did not offer any credible evidence of confusion between the marks and the various striped shoes sold by Collective Brands. In a press release, Collective Brands stated that "Collective Brands is dedicated to democratizing fashion and design in footwear and accessories and inspiring fun, fashion possibilities for the family at a great value".

Naturally, Adidas had a different opinion regarding the jury's verdict. The award against Collective Brands was the biggest victory for Adidas in its effort to block retailers from using similar striped motifs on shoes and athletic apparel. Paul Ehrlich, general counsel for Adidas North America, stated outside the court house that, "Adidas has been building its brand for more than 60 years and the verdict underscores the importance of protecting consumers from unfair and deceptive practices. Adidas is pleased the jury agreed with our position that [the] conduct was unlawful and cannot be tolerated."

COMMENT

This verdict, as well as the ECJ's ruling in favour of Adidas, will no doubt strengthen Adidas' bargaining power in future settlement talks with Collective Brands and any other footwear manufacturers that incorporate stripe motifs on their products, especially if those products are sporting shoes. This U.S. case could still take years to resolve on appeal, although there may be little hope of Collective Brands' alternative request of a new trial being granted. The case illustrates that even something as innocuous and, arguably, unremarkable as a stripe motif can, given enough time and with the right IP protection and expertise, become completely untouchable by any other party.

COPYRIGHT

Sound recordings and co-written musical works—term of protection

It seems that aging rockers might get what they want after all with the European Commission's formal proposal to extend the term of copyright protection for sound recordings from 50 to 95 years. The proposal, along with another to harmonise the term of copyright protection in co-written musical works, is contained in a Proposal for a Directive amending Directive 2006/116/EC on the term of protection of copyright and certain related rights published by the Commission on 16 July 2008. Performers on recordings made in the late 50s and early 60s, whose copyrights are about to expire, will therefore be entitled to royalties in the additional period. They will continue to be eligible for broadcast royalties, public performance royalties and, where applicable, compensation payments for private copying of their performances. Record labels will also benefit from revenue earned on record sales. Additional measures in the draft Directive include a proposal that record producers set aside 20 per cent of all revenues for a fund for session artists along with a "use it or lose it" clause to enable performers to regain the rights in recordings over 50 years old that record companies no longer exploit commercially.

BACKGROUND

The terms of protection for copyright were harmonised by Directive 93/98/EEC, which was subsequently codified by Directive 2006/116/EC. The term of protection for performers and record producers is currently 50 years after publication. The Commission's proposal would extend that protection to 95 years after publication.

The Commission's proposal reflects the fact that performers are increasingly outliving the existing 50 year period of protection for their performances. The Commission estimates that, over the next ten years, the expiry of copyright in recordings released between 1957 and 1967 will mean that around 7,000 performers in any of the big EU Member States, and a proportionate number in the smaller Member States, will lose all of their income deriving from contractual royalties and statutory remuneration claims from broadcasting and public communication of their performances. This affects not just feature performers like Sir Cliff Richard, who receive contractual royalties, but also anonymous session musicians who may have had their exclusive rights bought out but are still entitled to "single equitable remuneration" payments for broadcasting and communication to the public.

In relation to co-written musical compositions, the problem is that, due to different approaches at national level, in some EU Member States musical compositions with words will be protected until 70 years after the last contributing author dies, whilst in other Member States, each contribution loses protection 70 years after its author dies. Such discrepancies lead to difficulties in administering copyright in co-written works across the Community, as well as difficulties in cross-border distribution of royalties for exploitation that occurs in different Member States.

SOUND RECORDINGS

As well as extending the term of protection for performers and record producers to 95 years, the plan is for record producers to contribute to a fund designed to "remedy" the situation in which session musicians usually sign away their exclusive rights of reproduction, distribution and making available to record labels in return for a one off payment. In other words, the proposed remedy for the "buy out" is that session musicians will be entitled to make a claim to receive a yearly payment from the dedicated fund. This will be made up by payments from record producers of at least 20 per cent of the revenues from the exclusive rights of distribution, rental, reproduction and making available which, in the absence of the term extension, would no longer be protected. The plan is to allow Member States to require this to be administered by collecting societies representing performers.

The proposed Directive also provides for a statutory use it or lose it clause. This essentially means that if a record producer does not publish a recording which, but for the term extension, would be in the public domain, the rights in the fixation of the performance shall, upon request, revert to the performer and the rights in the record as such will expire. Further, if after one year neither the record label nor the performer makes the record available to the public, the rights in the recording and in the fixation of the performance will expire.

In this respect, publication of a recording means the offering of copies of the recording to the public, with the consent of the right holder, provided the copies are offered to the public in reasonable quantity. Publication would also comprise otherwise commercial exploitation, such as making available to online retailers.

The use it or lose it clause will also ensure that recordings are not "locked up". In other words, "orphan" recordings, for which neither the record producer nor the performers can be identified or found, will be available for public use on the basis that they have not been exploited within a year of the extension period.

CO-WRITTEN MUSICAL COMPOSITIONS

By "co-written musical compositions" the Commission simply means a musical composition that comprises contributions from several authors to—most obviously, the score and the lyrics. The problem is that in different EU Member States, such co-written musical compositions are classified as either: a single work of joint authorship with a unitary term of protection, running from the death of the last surviving co-author; or separate works with separate terms running from the death of each individual author. As a result, a single piece of music may have different terms of protection in different Member States.

The Commission takes by way of example the opera *Pelléas et Mélisande*. Debussy, the composer, died in 1919. Maeterlinck, the librettist, died much later in 1946. In those Member States that apply a unitary term (*e.g.,* France, Greece, Lithuania, Portugal and Spain) the entire opera remains protected until 2016 (*i.e.,* life of the last surviving author plus 70 years). In those countries that consider the music and the libretto as two distinct works (*e.g.,* Austria, the Netherlands, Poland, Slovenia and the United Kingdom) or two works that can be exploited separately (*e.g.,* Germany, Hungary and the Czech Republic) the protection of the music expired in 1989, while the words remain protected until 2016.

According to the new rule in the proposed Directive, the term of protection of a musical composition will expire 70 years after the death of the last surviving author, be it the author of the lyrics or the composer of the music.

COMMENT

The Gowers Review did not support a term extension for recorded musical performances. In fact, it recommended against it. The Commission has nonetheless done its best to allay concerns over the potential effect on consumer prices, for example, in the frequently asked questions published alongside the proposal (see MEMO/08/508). It also tries to deflect criticism that a term extension, insofar as it may benefit session musicians, is pointless.

The Commission cites empirical studies showing that the price of sound recordings that are out of copyright is not lower than that of sound recordings in copyright. The Commission also insists that the proposal will not affect the amount of airplay royalties that broadcasters have to pay as all public performance rights used by broadcasters are managed collectively and broadcasters pay a fee based on turnover irrespective of how many performances are protected. No broadcaster clears sound recordings on a "per track" basis.

The Commission believes that it has struck the right balance with the fund and the use it or lose it provisions to protect performers who have already transferred their rights to record labels. It criticises the Gowers Review for considering performers' royalties from the point of view of their exclusive rights. The Commission says that performers actually receive a large part of their income from remuneration for the broadcast of their performances in music, *i.e.,* airplay royalties, and, in most other EU Member States, from compensation for private copying. Neither of which are mentioned by Gowers, even though these are not transferred to record companies.

Not surprisingly, recording artists like Sir Cliff and Roger Daltrey, who have lobbied hard for this change, are delighted. Under current rules, the copyright in the first of Sir Cliff's recordings will expire in 2009. Over the next ten years some major recordings will follow, including those in the Beatles' catalogue. But the minor players in the industry—musicians, engineers and session players—not just featured artists and record labels, will also derive real benefits from the Commission's proposal. The UK Government's response will not be revealed until after the summer of 2008. The UK Intellectual Property Office (UK-IPO) has responded by launching an immediate consultation. At this point it does not say much, stressing the need "to be very clear that the circumstances justify an extension" and reminding everyone that there was evidence before the Gowers Review "suggesting that extending the term of protection would negatively impact on consumers in industry". It is clear, however, that the UK-IPO has set its standard against the Commission's proposal.

ENTERTAINMENT & MEDIA

Privacy—freedom of expression and exemplary damages

One of the paradoxes of bringing a privacy claim is that the activities upon which it is based are held up to considerable scrutiny, particularly when it is the very nature of those activities upon which the assessment of the public interest in revealing otherwise private information is made. The recent case of *Max Mosley v News Group Newspapers Ltd* [2008] EWHC 1777 (QB) gives us a sense of how much an unjustified intrusion into the private life of an individual, revealing intimate details of a sexual nature, might be worth where the court accepts that the claimant's life is "ruined".

BACKGROUND

The Claimant, Max Mosley, is the President of the Fédération Internationale de l'Automobile (FIA). The action was against News Group Newspapers as publishers of the *News of the World*. It concerned an article by Neville Thurlbeck, published in the newspaper on 30 March 2008 under the heading F1 BOSS HAS SICK NAZI ORGY WITH 5 HOOKERS. The article was accompanied by the subheading *Son of Hitler-loving fascist in sex shame* and described a sadomasochistic (S&M) "party" involving Mr Mosley. The same information and images were posted on the *News of the World* website, which also contained video footage of the party. A follow-up article published on 6 April headed EXCLUSIVE: MOSLEY HOOKER TELLS ALL: MY NAZI ORGY WITH F1 BOSS carried a purported interview with one of the women who had attended the party and had filmed clandestinely what had taken place with a concealed camera that had been supplied by the newspaper.

THE CLAIM

Mr Mosley sued for breach of confidence and/or the unauthorised disclosure of personal information, in breach of his right to privacy under Article 8 of the European Convention on Human Rights. The basis of the claim was that the content of the published material was inherently private in nature, consisting as it did of sadomasochistic and sexual activities and also that there had been a pre-existing relationship of confidentiality between the participants. It was Mr Mosley's case that they had all taken part in the activities on the understanding that they would be private and that none of them would reveal what had taken place. The judge was told that there is a fairly tight-knit community of S&M activists and that it is an unwritten rule that people are trusted not to reveal what has gone on. Mr Mosley alleged against the woman in question (known as "Woman E") that she breached that trust and that the journalist concerned must have appreciated that she was doing so. Mr Mosley claimed exemplary damages.

THE DEFENCE

The *News of the World's* case was that Mr Mosley had no expectation of privacy in relation to the information concerning the events, and alternatively, that even if he did, his right to privacy was outweighed by a greater public interest in disclosure, such that the newspaper's right to freedom of expression under Article 10 of the Convention should prevail. The newspaper argued that the public had an interest in knowing of the newspaper's and/or Woman E's allegation that the party involved Nazi or concentration camp role play and that, because of his role as President of the FIA, the public had a right to know that Mr Mosley was committing offences such as assault occasioning actual bodily harm and brothel keeping.

THE NEW METHODOLOGY

Mr Justice Eady said it was clear that the claim was partly founded upon "old-fashioned breach of confidence by way of conduct inconsistent with a pre-existing relationship, rather than simply of the purloining of private information". Reviewing increasingly familiar case law, the judge acknowledged that the law of "old-fashioned breach of confidence" had been extended in recent years under the stimulus of the Human Rights Act 1998. The law now affords protection to information in respect of which there is a reasonable expectation of privacy, even in circumstances where there is no pre-existing relationship giving rise of itself to an enforceable duty of confidence.

If a claimant could show a reasonable expectation of privacy, the next step was for the court to weigh the relevant competing Convention rights of privacy and freedom of expression in the light of an "intense focus" upon the individual facts of the case. In this respect, the judge noted that no one Convention right takes automatic precedence over another. Nor could it be said, without qualification, that there was a "public interest that the truth should out". Thus, in the particular circumstances, it was necessary to examine the facts closely and to decide whether (assuming a reasonable expectation of privacy had been established) some countervailing consideration of public interest might be said to justify any intrusion that has taken place. This was integral to what has been called "the new methodology".

Applying an "intense focus" was therefore incompatible with making broad generalisations. The "ultimate balancing test" of Convention rights turned to a large extent upon proportionality. The judge would often have to ask whether the intrusion, or perhaps the degree of the intrusion, into a claimant's privacy was proportionate to the public interest supposedly being served by it. Additionally, the balancing process involved an evaluation of the use to which the relevant defendant had put, or intended to put, his or her right to freedom of expression. This had particular significance in the context of photographs.
The judge stressed that whilst there might be a good case for revealing the fact of wrongdoing to the general public, it would not necessarily follow that photographs of "every gory detail" also needed to be published to achieve the public interest objective. Nor would it automatically justify clandestine recording. This is acknowledged in Clause 10 of the Press

Complaints Commission Editors' Code. Thus the very fact of clandestine recording might be regarded as an intrusion and an unacceptable infringement of Article 8 rights.

THE INTRUSIVE NATURE OF PHOTOGRAPHY

The judge noted that the intrusive nature of photography has been fully discussed in the case of *Von Hannover v Germany* [2005] 40 EHRR 1 and also in UK case law. In *D v L* [2004] EMLR 1, Waller LJ stated that a court may restrain the publication of an improperly obtained photograph even if the taker is free to describe the information that the photograph provides. More specifically, it was acknowledged by Lord Hoffmann in *Campbell v MGN* [2004] 2 AC 457 that there could be a genuine public interest in the disclosure or the existence of a sexual relationship, but that the addition of salacious details or intimate photographs would be disproportionate and unacceptable.

At the Court of Appeal stage in *Campbell* [2003] QB 633, Lord Phillips stated that, provided the publication of particular confidential information is justifiable in the public interest, the journalist must be given reasonable latitude as to the manner in which the information is conveyed to the public. Yet, for the reasons given by Lord Hoffmann, it should not be assumed that, even if the subject matter of the party was of public interest, the showing of the film or pictures was a reasonable method of conveying that information. It was a question of proportionality. In *Theakston v MGN* [2002] EMLR 22, the court granted an injunction in respect of photographs taken inside a brothel, even though it recognised that it was not appropriate to restrain verbal descriptions of what the claimant did there.

A NAZI THEME?

The judge dealt first with the primary issue of fact. Was there a Nazi theme at the party? In his view, there clearly wasn't. The newspaper sought to substantiate the allegation by reference to the wearing of military uniforms, striped prison pyjamas, the use of German accents and the type of language used, as well as what it considered concentration camp style role play. The judge rejected those submissions.

According to the judge, there was nothing inherently Nazi in the activities. Beatings, humiliation and the infliction of pain were inherent in S&M activities, as were the enactment of domination, restraints, punishment and prison scenarios. Behaviour of this kind, in itself, was therefore in this context merely neutral. It did not entail Nazism. There was nothing specifically Nazi about the uniforms and there was nothing to identify the striped pyjamas as of the Nazi era. People run the London Marathon wearing "prison" costumes.

The judge also accepted that German was merely used because it was a foreign language and the language itself was "more suitable for use by those playing a dominant role in S&M scenarios" because of its "harsh and guttural sound". People using a foreign language also "added to the sense of helplessness in having no control". The judge also considered that words to the effect "we are the Aryan race—blondes" gasped by one of the women was nothing other than "a spontaneous squeal by Woman A *in medias res*". Nor was there anything specific to the Nazi period or to concentration camps in any of the other activities, including Mr Mosley having his head examined for lice. In conclusion, the judge found no evidence of Nazi role play or of mocking victims of the Holocaust. He saw no significance in the fact that Mr Mosley had deleted email correspondence between him and one of the women. This had been done prior to the story appearing in the newspaper and Mr Mosley had no reason to suppose at that time that the *News of the World* was interested in his activities.

REASONABLE EXPECTATION OF PRIVACY

It was fairly obvious to the judge that the clandestine recording of sexual activity on private property engaged Article 8. He also considered that Woman E owed a duty of confidence to Mr Mosley as claimed. The judge noted that it was often said that "there is no confidence in iniquity", but he considered it highly questionable whether, in modern society, that was a concept that could be applied to sexual activity, fetishist or otherwise, conducted between consenting adults in private. Indeed the rest of the women felt "utterly betrayed" and Woman E was to suffer the punishment of being ostracised from "the scene".

Additionally, in light of the Strasbourg decision in *ADT v UK* [2000] 31 EHRR 33, the judge rejected a further submission to the effect that Mr Mosley had forfeited any expectation of privacy because, with so many participants, the party could not be regarded as private and the events were recorded on video.

PUBLIC INTEREST

The judge rejected the public interest defence on the basis that there was no evidence of criminality or, for the reasons discussed, a Nazi theme at the party to justify either the intrusion of secret filming or subsequent publication. There was no question of a sexual offence being committed since everything was consensual. The judge accepted that some of the activities were painful, "but in a nice way" (as Woman D proclaimed). The judge distinguished *R v Brown* [1994] 1 AC 212 upon which the defence sought to rely on the basis that that case involved cruelty and an altogether different order of activities that were extremely dangerous. Moreover, there was also the issue in *R v Brown*, which did not arise in the current case, that some very young people were victimised or corrupted. Additionally, there was no evidence that Mr Mosley was keeping a brothel. For premises to fall within the definition of a brothel it was necessary to show that more than one man resorted to them for whatever sexual services were on offer and the only man enjoying the activities in this case was Mr Mosley.

The judge also rejected the argument that the activities of the party were in themselves matters of legitimate journalistic investigation of public interest. Counsel for the newspaper described them as "immoral, depraved and to an extent adulterous". The judge considered that even if they were, it by no means followed that they were matters of genuine public interest. Sexual conduct was a significant aspect of human life in respect of which people should be free to choose. That freedom was one of the matters that Article 8 protected. It was not for the state or for the media to expose sexual conduct that did not involve any significant breach of criminal law. It was important to ensure that where breaches occurred, remedies were not refused because an individual journalist or judge considered the conduct distasteful or contrary to moral or religious teaching. As the court said in *CC v AB* [2007] EMLR 11, "judges need to be wary about giving the impression that they are ventilating, while affording or refusing legal redress, some personal moral or social views…"

RESPONSIBLE JOURNALISM

The judge then went on to suggest that it could be argued as a matter of policy that allowance should be made for editorial judgement in arriving at a decision to publish material where that decision "falls within a range of reasonably possible conclusions". In this respect, the judge considered that there was scope for paying regard to the concept of responsible journalism, which had been developed over recent years in the context of public interest privilege in libel and with which there was "an obvious analogy". However, whilst the judge was prepared to accept that the journalists in this case, on the basis of what they had seen, actually thought there was a Nazi element, he considered that belief was not arrived at by rational analysis of the material before them. Essentially they had failed to consider the countervailing factors, in particular the absence of any specifically Nazi indicia. This willingness to believe in the Nazi element and the mocking of Holocaust victims was not, therefore, based on enquiries or analysis consistent with "responsible journalism".

DAMAGES

The judge ruled that exemplary damages were not admissible in a claim for infringement of privacy, since there was no existing authority (whether statutory or at common law) to justify such an extension and, indeed, it would fail the tests of necessity and proportionality. Mr Mosley was nonetheless entitled to an adequate financial remedy for the purpose of acknowledging the infringement and compensating, to some extent, for injury to feelings, the embarrassment and distress caused. The judge said that no amount of damages could fully compensate Mr Mosley for the damage done. It was not, in the judge's view, an exaggeration to say that "his life was ruined". Taking into account that what could be achieved by a monetary award in such circumstances was limited and that any award must be proportionate and avoid the appearance of arbitrariness, the judge came to the conclusion that the right award was £60,000.

COMMENT

£60,000 for a life that is ruined? Should the media still feel aggrieved by this decision, perhaps they can take some comfort from the fact that if they do misjudge the extent of the licence given to them by their right to freedom of expression in relation to revealing private information about an individual's sex life, they will not face huge financial penalties. Certainly none that are punitive. The press should, however, take on board what has been said in this case to assess their position in future disputes with a view to avoiding the disproportionate expense of defending a law suit. Nonetheless, some newspaper editors may well feel that the decision represents a significant restriction on what they believe is their right to expose behaviour that brings into question the suitability of an individual to perform a prominent role in society, whether political or as head of a multinational organisation whose ethos is one of fairness and moral propriety. The judge anticipated such criticism when he said at the end of his judgment: "Nor can it seriously be suggested that the case is likely to inhibit serious investigative journalism into crime or wrongdoing, where the public interest is more genuinely engaged". The point is, if Max Mosley had been goose stepping around in what was quite clearly a Nazi uniform, the *News of the World* may have had at least the basis of a public interest defence.

DATA PROTECTION

Binding corporate rules—consolidated guidance

The Article 29 Working Party has published more detailed "guidance" on the Binding Corporate Rules (BCRs) that goes some way to making the role of Data Protection Officer in a multinational organisation one of the most challenging back office roles of any industry.

The guidance comprises a Working Document setting up a framework for the structure of BCRs (WP154). The framework sets out what a set of BCRs might look like when incorporating all the necessary elements identified in previous guidance, including the Working Party's model checklist application for approval of BCRs adopted in April 2005 (WP108). Additionally, a Working Document on frequently asked questions (FAQs) related to BCRs (WP155) stresses the main points about the construction and use of BCRs that the Working Party thinks should be driven home. There is also a Working Document setting up a table with the elements and principles to be found in BCRs (WP153), through which the Working Party provides further clarification and distinguishes between what must be included in BCRs and what must be presented to data protection authorities (DPAs) in the BCRs application.

BACKGROUND

Under current European legislation, personal data cannot be transferred to countries or territories outside the European Economic Area (EEA) unless there is adequate protection for the rights and freedoms of individuals in relation to the process of information about them. Transfers can still be made to countries that do not have equivalent data protection legislation where adequacy is ensured by other means, in particular the circumstances of the transfer. It is also possible for multinational organisations to transfer personal data outside the EEA but within their group of companies in a manner that ensures adequacy through the adoption of binding codes of corporation conduct by the organisation, *i.e.,* binding corporate rules. The UK Information Commissioner's Office has published guidance on international transfers of personal data and the use of model contracts for transfer to other organisations and to data processors processing personal information on their behalf.

The use of BCRs requires approval from the DPAs in the countries in which the group is processing personal data. The Article 29 Working Party's model checklist described the required contents of an application to a DPA for approval of a set of BCRs. In February 2007, the Working Party adopted a standard application form based on that checklist and adapted from a standard form put together by the International Chamber of Commerce (ICC), which has also issued detailed guidance on the drafting and implementation of BCRs. The latest set of documents from the Working Party adds even more flesh to the bones of an already meaty process. The intended purpose is to clarify particular requirements in order to assist applicants in gaining approval for their BCRs.

WORKING DOCUMENT ON FAQS

Whilst the BCRs do not have to apply to personal data processed by a group that does not actually enter the European Union, the Working Party nevertheless makes a strong recommendation that multinational groups using BCRs have a single set of global policies or rules in place to protect all personal data that they process. It is of course possible for the group to have a single set of rules, while at the same time limiting the third party beneficiary rights required in the BCRs only to personal data transferred from the European Union.

Processors that are not part of the group are obviously not bound by the BCRs, but where they act on behalf of a group member they should always act under the instructions of the controller and should be bound by contract or otherwise as required by Articles 16 and 17 of the Data Protection Directive (95/46/EC). If the processors are not part of a group and are based outside the European Union, the members of the group will also have to comply with Articles 25 and 26 of the Directive on transborder data flows and ensure an adequate level of protection through the use, for example, of the standard contractual clauses adopted by the Commission. In any event, the BCRs will need to address the situation.

BCRs must nominate an entity within the European Union to accept liability for any breaches of the rules by any member of the group outside the European Union in relation to data transferred from the European Union under the rules. It is envisaged that in most cases this will be the headquarters of the group, if EU based. However, where the headquarters of the group is based outside the European Union, the group is allowed to nominate a suitable member in the European Union to accept responsibility for breaches including liability for damages resulting from the violation of the BCRs by any member outside the European Union bound by the rules.

The Working Party acknowledges that certain group structures will not always allow for a specific entity to take all the responsibility and, in such cases, accepts that where the group can demonstrate why it is not possible to nominate a single entity in the European Union, it can propose other and more suitable mechanisms of liability such as those set out in the Standard Contractual Clauses. These could include joint liability between data importers and exporters, a liabilities scheme based on due diligence obligations, or the mechanism specifically dedicated to transfers from controllers to processors.

DPAs will consider the alternative solutions on a case by case basis and it will be important to show that data subjects will be assisted in exercising their rights and not disadvantaged or unduly inhibited in any way.

The Working Party also stresses that the BCRs should always contain a right for the data subject to lodge a complaint before the DPA for breach of the rules. It says that, even where the rules or the third party beneficiary rights are limited to data originating from the European Union and individuals already have a right in their national law to make a complaint about the exporting entity to the DPA, it is nevertheless important to have a right to lodge a complaint "on the face of the BCRs for a breach of the rules as a whole by any member of the group". BCRs and the way to complain and seek redress should be easily accessible for the data subject. Where third party beneficiary rights are excluded from the core document of the BCRs and set out in a separate document for legitimate reasons, theses should be made transparent and easily accessible to any data subject benefiting from those rights.

Finally, the purposes for which the group processes personal data must be set out and sufficiently detailed in the BCRs to enable DPAs to assess whether the level of protection in the group is adequate. The description must be clear and precise and specify the main purposes in a detailed manner and, in particular, whether the personal data are processed for direct marketing purposes.

COMMENT

The BCRs are very much the preserve of large multinational groups and, so far, despite the Article 29 Working Party's best efforts to encourage take up, only two have had BCRs authorised by the Information Commissioner. In theory, where it is intended that data transfer will be made through multiple jurisdictions, the BCRs appear an attractive proposition, preferable to model contractual clauses. Unfortunately, the construction and approval of BCRs have, to date, proved too challenging to become the compliance tool of choice. Without decrying the need for detailed safeguards set out in the Working Party's model framework, this latest set of guidance documents arguably demonstrates why.

DOMAIN NAMES

Nominet—changes to dispute resolution policy and procedure

For anyone who has filed a complaint at Nominet against a registration involving one of the multitudes of ".uk" domain names, the process was likely to have been expensive, frustrating and highly inconsistent. The central complaint is that an enormous amount of money has to be spent by a complainant to prepare the necessary documentation and evidence, even when no response was filed by the domain name registrant. At the end of 2007, and after two consultations, Nominet finally decided to listen to the numerous complaints against its dispute resolution service (DRS) and in July 2008 finalised revisions to its policies and procedures. All is not rosy, however, in UK cyberspace, despite the numerous amendments through the pipeline, since many of the amendments were a compromise between competing interests.

"SUMMARY DECISION"

The current complaints process remains unchanged, except that in cases where no response is made by the registrant, the complainant is now given the option of obtaining a type of "summary decision" from an expert, at a reduced cost of £200 plus VAT (as compared to a full reasoned written decision at £750 plus VAT). This could potentially impact around 52 per cent of all current Nominet expert adjudications. The expert will in effect issue a quasi certificate confirming that "rights" and "abusive registration" have been made out by the complainant. In practice, however, experts will still need to perform a fairly comprehensive analysis of the facts in order to assess whether necessary rights exist and therefore whether an abusive registration has been made.

FEES

Where a response is provided by a registrant, the case will then go into mediation and the expert fee will remain the current £750 plus VAT for a "full" decision. Many of the experts involved in the consultation process were quite put out by this news. This was because, firstly, the fees for a summary judgment were reduced dramatically whilst the work involved will not realistically be proportionately reduced; and, secondly, the fees for a "full" decision will remain at £750 plus VAT, which means there have been no fee increases in over five years. Indeed many experts proposed increases in rates of up to £1200 to reflect the work involved, but this was roundly rejected by the Nominet consultation board.

RIGHTS

One of the most important amendments involves the definition of what are "rights" under the DRS Policy. The Policy now recognises rights in "descriptive terms which have acquired a secondary meaning". This will hopefully create a more uniform approach by experts when determining whether the rights (e.g., common law trade mark) are in fact "wholly descriptive" of the product or services provided by the complainant. Over the years there has been much criticism over perceived inconsistencies in expert opinions. Some experts applied a very strict interpretation of the rights definition under the previous Policy. Others took the view that a descriptive name that acquired secondary meaning (e.g., British Gas, British Petroleum, etc) can never be considered to be "wholly descriptive", nor was it originally intended under the Policy that such institutions would not be able to protect their names from potential abuse. The amendments to the Policy should make such inconsistencies a thing of the past.

ACTS NOT ABUSIVE *PER SE*

Nominet has also clarified the new DRS Policy to confirm that certain activities will not be in themselves an abusive registration, but that cases of this kind will depend on their particular facts. For instance

- The storage of domain names for sale is not necessarily an abusive use of the addresses.

- Trading in domain names for profit, and holding a large portfolio of domain names, are not of themselves unlawful activities. The expert will review each case on its merits and the sale of traffic (*i.e.,* connecting domain names to parking pages and earning click-per-view revenue) is not itself objectionable under the Policy. The expert will now take account of the nature of the domain name and the nature of the advertising links on any parking page associated with the disputed domain name. Ultimately, however, the use of a domain name is the registrant's responsibility and therefore it is up to them not to cross the line and become abusive under the Policy.

LIKELIHOOD OF CONFUSION AND THREATENED USE

Nominet introduced a "likelihood of confusion" factor and has emphasised that threatened use of a domain name may be evidence of an abusive registration. This amendment reflects the interpretation consistently held in expert decisions and English law.

ADMINISTRATIVE AMENDMENTS

Numerous administrative amendments were made in order to smooth over and provide certain efficiencies in DRS Policy. These amendments include

- An Expert Review Group of six panelists formed to act as a "second pair of eyes" for experts and to provide a final sanity check in addition to picking up on typos and ensuring at least consistency between the various DRS expert decisions. These panelists will also form the appeal panels but will no longer form part of the pool of experts able to render everyday decisions.

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- Changes to DRS Procedures to make it clear that the Reply stage is purely an opportunity to respond to new matters raised in the respondent's response.
- Clarification of the Procedure with regard to further statements (*i.e.,* those communications made outside of the standard process other than a complaint, response, reply, appeal notice or appeal notice response) made under Procedure paragraph 13(b). Nominet will now only copy the explanatory first paragraph to the parties, unless the expert requests sight of the full submission.
- The option for respondents to pay for an expert decision if the complainant declines to pay, in order to request a finding of reverse domain name hijacking.
- An increase in the word limit for submissions in the complaint and response to 5,000 words.
- The option to attach evidence electronically. Nominet has also improved the formatting, appearance and usability of the online forms.

COMMENT

These amendments are long overdue and represent a valiant attempt to provide an economical choice for rights holders in taking on rogue domain name registrants. Unfortunately, establishing that a complainant possesses the necessary rights and that a registration is abusive may yet prove to be an expensive process, as complainants will often choose to involve a lawyer in setting out the necessary evidence in the formal complaint. Time will tell whether these amendments will create a more streamlined and consistent system for rights holders and domain name registrants.

Narnia.mobi—use as an email address

The panel in *CS Lewis (PTE) Ltd v Richard Saville-Smith* [2008] WIPO D2008-0821 was not convinced that the Respondent had registered the domain name narnia.mobi for use only as a Narnia-related email address for his son, apparently a big Narnia fan. Whilst such use could not of itself constitute a legitimate interest for the purposes of the Uniform Dispute Resolution Policy (UDRP), the panel also found "opportunistic" bad faith on the basis that Mr Saville-Smith used the domain name to mislead users to an advertising site while being aware of the fame and distinctiveness of the term "Narnia". Essentially, the Respondent failed to show that he had any legitimate interest in a term that was widely known and that he had not generated revenue from the advertisements.

BACKGROUND

The Complainants own the trade mark, copyright and other proprietary rights in the works of CS Lewis, the author of the famous series of children books entitled *The Chronicles of Narnia*. The popularity of the books has increased recently as a result of their adaptation for the two blockbuster films *The Chronicles of Narnia: The Lion, The Witch and the Wardrobe* and *The Chronicles of Narnia: Prince Caspian*. The Complainants hold trade mark registrations in many jurisdictions for the mark NARNIA which is the name of the fictional country in which the stories take place.

The Respondent, together with his wife, run the Saville-Ferguson media and PR agency in Scotland. Mr Saville-Smith registered the disputed domain name, narnia.mobi, on 29 September 2006, only four days after the expiry of the three month sunrise period ICANN gave to trade mark owners to obtain .mobi domain names relating to their goods and services. The .mobi domain name was created by ICANN in 2006 as a top level domain for mobile devices.

Between 28 and 30 September 2006, the Respondent registered 12 more domain names including, for example, drwho.mobi and middleearth.mobi. All but one of these resolved to websites provided by Sedo, which parked unused domain names for free and returned revenues from pay-by-click advertising.

Narnia.mobi resolved to a parked webpage provided by Sedo containing sponsored links to commercial websites, including links to websites offering for sale merchandise and clothing related to the Narnia books and movies. Following the filing of the complaint, the Respondent made another error by registering freenarnia.com and freenarnia.mobi (reportedly as part of an aborted attempt to begin an online petition drawing attention to his case).

ARGUMENTS OF THE PARTIES

The Complainants claimed that the Respondent lacked any legitimate interest in the domain name and that the unauthorised use of "narnia" constituted bad faith. In particular they claimed that the Respondent relied on initial interest confusion to divert internet users to his website in order to generate pay-per-click advertising profit. They pointed to the fact that under Sedo's domain parking policy, domain name registrants could park idle domain names at pay-per-click parked websites to generate advertising revenue and that that was precisely what the Respondent had done with narnia.mobi.

Mr Saville-Smith denied that he used the domain name to earn money. He denied any connection with Sedo's advertising policy and contended that he had never profited from the agreement. He provided as evidence an email by the registration provider that the redirection of the disputed domain name to the Sedo holding page was not the result of his request and he had not sought to benefit financially. He also claimed that he had established a legitimate interest in the domain name because the sole reason for registering it was to give his 11 year old son a Narnia related email address as a birthday gift. He excused himself for not revealing the present until his son's May 2008 birthday, on the basis that that date corresponded to the UK release of the second Narnia film. For similar reasons, he denied bad faith and claimed that he passively held the domain name and had no intention to use or sell it. Finally, he asserted that he had no history of cybersquatting and that he had only registered generic domain names that had never been used on behalf of clients or for the purposes of his agency.

THE PANEL'S DECISION

On the basis that the Complainants had made out a *prima facie* case, the burden of proving rights or legitimate interests in the disputed domain name shifted to the Respondent. The panel was unconvinced by the Respondent's story that he had registered the domain name so as to acquire an email address for his son. The use of a domain name as an email address may be sufficient to confer rights under paragraph 4(c) of the Policy only in cases where the domain name was intended for persons known by that name. In this case, the registration of the domain name only appropriated a distinctive and well known trade mark. Nor was the Respondent "making a legitimate non-commercial or fair use of the domain name", *i.e.,* the domain name did not resolve to an active non-commercial criticism or fan site.

The panel was also satisfied that the domain name had been registered and used in bad faith. First, it found that despite knowing the existence of the famous NARNIA mark and having no connection to the Complainants, the Respondent proceeded to register the disputed domain name. According to the panel, "when a domain name is so obviously connected with a complainant and its products or services, its very use by a registrant with no connection to the complainant suggests opportunistic bad faith". Secondly, it was the responsibility of the Applicant to determine whether his domain name registration infringes or violates someone else's rights. "Equally disturbing" to the panel was the fact that the Respondent had registered two more domain names, freenarnia.com and freenarnia.mobi, soon after the filing of the complaint.

There was no indication that the Respondent had used or made any preparations to use the domain name as an email address in the 20 months following registration. Further, it was clear from email correspondence between the parties that he knew that the domain name was parked with Sedo. In addition, in the same period the Respondent had registered a dozen other domain names, all but one of which was redirected to Sedo parking pages. Five of these domain names implicated third party trade mark rights. Moreover, the Respondent, because of his profession was clearly "not a novice in the area of domain name registration".

COMMENT

The case generated significant media interest, with the couple adopting quite convincingly the position of innocent victims cowed by over zealous corporate rights holders. Fiona Saville-Smith claimed that "we didn't sell, we didn't try to make any money, we didn't pass ourselves off as anything to do with Narnia". The press, of course, lapped it up and probably didn't care that the spin they'd given the story was simply maintained by a finding of a UDRP panel, apparently as unsympathetic to the plight of the little person as the corporate machine that pursued him. In the real world, however, the fact is that Mr Saville-Smith did not present adequate evidence upon which to base any legitimate interests or rights. More to the point, he couldn't because his name wasn't Narnia. Previous UDRP decisions have shown that use as email address creates a legitimate interest only when the person is known by that name. Further, there was clear evidence of bad faith. Whilst the case did not involve typical cybersquatting behaviour, the panel took a dim view of the fact that, apart from narnia.mobi the couple had also registered a significant number of other non generic domain names. Their profession as media and PR agents was another aggravating circumstance. Perhaps their most obvious failing, however, was not having the prescience to name their son… Narnia.

SPORT

Conditional access—"illicit device" and Euro defences

Karen Murphy, you will recall, is the pub landlady from Southsea, England who liked to entertain customers with live Premier League matches courtesy of the Greek satellite system, Nova. Accessing the matches through Nova saved her paying several thousand pounds to the Football Association's Premier League (FAPL) authorised UK broadcaster, Sky. In light of the fact that the same issues have already been referred to the European Court of Justice (ECJ) in FAPL v QC Leisure, the UK High Court has agreed to seek guidance from the ECJ on a number of Euro defences relied on by Mrs Murphy in her appeal against convictions under the conditional access provisions of the Copyright Designs and Patents Act 1988 (CDPA). This latest judgment relates to her defence based on the free movement and competition rules of the EC Treaty and the crucial issue of whether the Greek decoder card and box were "illicit" in the sense intended by the Conditional Access Directive (98/84/EC) upon which the CDPA provisions are based.

BACKGROUND

Karen Murphy provided the drinkers in her pub with premiership football using a decoder for Nova, the Greek broadcasters, rather than taking up a subscription with Sky, the FAPL authorised broadcaster in the United Kingdom. She was convicted by Portsmouth Magistrates of two offences under Section 297(1) of dishonestly receiving a programme included in a broadcasting service provided from a place in the United Kingdom with intent to avoid payment of any charge applicable to the reception of the programme. In its first judgment on appeal from the Crown Court, the High Court held that the requisite intent to avoid a charge was proved if it were shown that the Defendant knew that the broadcaster had the exclusive right in the United Kingdom and made a charge for reception of its broadcast, and that she made arrangements to receive its broadcast without paying that charge. Karen Murphy was therefore precluded from relying on lack of intent since this was not the first time that she had faced prosecution. However, the Courts' conclusions were expressly subject to the points of EC law relied on by Karen Murphy.

ILLICIT DEVICES

Mrs Murphy's first contention was that the reference to "illicit devices" in the Conditional Access Directive was restricted to pirate devices, as opposed to devices that had been manufactured and marketed with the authority of the broadcaster and that were used in an unauthorised manner, for example in another EU Member State. In other words, what Mrs Murphy was using was a genuine card. On the basis of that contention she claimed that Section 297(1) could not apply to cases where the decoder card was not claimed by the prosecution to be pirated. The defence contended that, to prosecute someone who purchased a card that was genuine would be to restrict the free movement of conditional access devices and/or the provision of protected services, contrary to both Article 3(2) of the Directive and the underlying free movement provisions of the EC Treaty. The prosecution's view, however, was that references in the Directive to lack of authority indicated that the illicitness of a card is closely connected to the unauthorised use of it, which deprives the issuer of legitimate remuneration.

The Court noted that Kitchin J in *FAPL v QC Leisure* heard extensive argument as to the meaning of the term "illicit device" and acknowledged the arguments on both sides to be "powerful". On the basis that the answer to the question was not clear, Kitchin J decided to refer the issue to the ECJ. On deciding to take the same course, the Court in the current case nevertheless agreed with Kitchin J's "provisional view" that "illicit device" refers to a device that is "pirated" in the sense that it has not been manufactured and marketed by or on behalf of the relevant service provider, and of which the inherent physical nature has been adapted or designed to bypass the charging arrangements put in place by the service provider.

FREE MOVEMENT OF GOODS AND SERVICES

Mrs Murphy's counsel contended that the prosecution under Section 297(1) was a measure having equivalent effect to a quantitative restriction on imports of decoder cards under Article 28 EC and also that it was a restriction on her ability to receive a service from another Member State within the meaning of Article 49 EC. Counsel contended that the real issue was whether or not those restrictions were justified and proportionate.

The prosecution, on the other hand, sought to rely on the ECJ decision in *Coditel I* [1980] ECR 881 to the effect that copyright in performances such as the showing of a film may be validly licensed and exploited on a national territorial basis without infringing the Treaty's rules on free movement. This was because copyright in films was not to be analysed in the same way as copyright in such works as books and sound recordings. The film belonged to a category of literary or artistic work that could be infinitely repeated by way of performance. Thus the right to receive a fee for each showing of a film was "part of the essential function of copyright" in that category of artistic work. On the basis that similar arguments and counter arguments had been put by the parties to Kitchin J in *FAPL* and Kitchin J decided to refer the questions raised to the ECJ, the Court decided to do the same.

ARTICLE 81

That left Article 81 EC. Mrs Murphy's case was that the FAPL's export ban falls foul of Article 81(1) EC as being an agreement that is liable to affect trade between EU Member States, which has as its object or effect the prevention, restriction or distortion of competition within the Community. If so, it would be prohibited and automatically void under Article 81(2). In other words, if the export ban was unlawful and unenforceable such that the absolute territorial protection upon which BSkyB's exclusive rights in the United Kingdom were based did not exist, the subscription charge exacted by BSkyB would not be "applicable" to the programme screened by Mrs Murphy. As a result, the offence of which she had been convicted would fall away.

The counter argument, based on *Coditel II* [1982] ECR 3381, is that Article 81 is not engaged at all. In *Coditel II*, the ECJ held that:

"…the mere fact that the owner of the copyright in a film has granted to a sole licensee the exclusive right to exhibit that film in a territory of a Member State and, consequently, to prohibit during a specified period, its showing by others, is not sufficient to justify the finding that such a contract must be regarded as the purpose, the means or the result of an agreement, decision or concerted practice prohibited by the Treaty."

Again, the same issue was raised in the civil proceedings before Kitchin J who decided that it was a "question which is so intimately tied to the other issues of interpretation I have discussed that I believe it too should be referred to the Court of Justice. I would ask the court what legal test the national court should apply and the circumstances it should take into consideration in deciding whether the export restriction engages Article 81".

For these reasons, the Court concluded that a parallel reference should be made to the ECJ, presumably to be heard at the same time as the reference made by Kitchin J in *FAPL v QC Leisure*.

COMMENT

The "illicit device" issue became the main focus of Kitchin J's judgment in *FAPL v QC Leisure*. There is a slightly different emphasis in this latest reference. Should the illicit device issue go in Mrs Murphy's favour, then, according to the Court in this latest judgment, Mrs Murphy would not necessarily be off the

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hook. It would mean that "any restriction imposed by a Member State which goes beyond those specifically required by Article 3(1) must be tested separately against the basic Treaty provisions on free movement of goods and services". In other words the prohibition in Article 3(2) on the free movement of conditional access devices and/or the provision of protected services "may not provide the Appellant with much more assistance than is already provided by the prohibitions contained in the basic Treaty provisions on free movement".

The focus therefore shifts to the Euro defences proper and the lawfulness of the territorial restriction in the FAPL's licences becomes the main issue. If unlawful, Mrs Murphy could not be said to be dishonestly avoiding a charge for a programme in respect of which BSkyB had the exclusive UK rights. Moreover, as the Court recognised, the basis upon which BSkyB's subscription charge for its service should be treated as "applicable" to the Nova programmes screened by Mrs Murphy would be called into question. If there is no such basis, there is no offence under Section 297(1).

E-COMMERCE

Second EU enforcement sweep——websites selling ring-tones and other mobile phone services

On 17 July 2008, the European Commission announced the results of the second EU consumer protection enforcement sweep, this time into websites offering mobile phone services such as ring-tones and wallpapers. The sweep, which covered more than 500 websites across the 27 EU Member States plus Norway and Iceland, revealed suspected breaches of EU consumer protection rules on 80 per cent of the sites checked. The main problems were: i) unclear price information, typically where prices were incomplete, did not include taxes, or customers were unaware that they were signing up to a subscription; and ii) failure to provide the required contact information about the trader. Other problems related to misleading information, including key information being hidden in very small print or on obscure parts of the website, or the use of the word "free" to draw consumers into long-term contracts.

The sweep will now enter its second phase, during which national authorities will investigate those websites flagged as "having irregularities" and take appropriate action to ensure that non compliant sites are corrected or closed. Several countries, namely Finland, Greece, Iceland, Latvia, Norway, Romania and Sweden have already "named and shamed" websites that have been found to have irregularities.

BACKGROUND

This latest sweep is being conducted in the same way as the inaugural sweep against airline websites that revealed widespread unfair pricing practices. Member State authorities carry out simultaneous, co-ordinated checks of web pages for breaches in consumer law. During an enforcement phase, they contact the operators to point out alleged irregularities and ask them to clarify their position and/or take corrective action. The mobile services sweep took place between 2 and 6 June 2008 and checked 558 websites for suspected violations of EU consumer law. In particular, the Unfair Commercial Practices Directive (2005/29/EC) (UCPD), the Distance Selling Directive (1997/7/EC) and the E-commerce Directive (2000/31/EC).

The UCPD is designed to ensure that traders display in a clear and intelligible way all the information that consumers need to make an informed choice. It also bans aggressive sales techniques, deceptive or misleading advertising or marketing and blacklists 31 commercial practices that will always be considered unfair including misleading use of the word "free". The Distance Selling Directive sets out minimum information requirements for online traders, including the identity of the supplier, main characteristics of goods, complete price (including taxes), period of subscription, duration of the contract and, where applicable, the right to cancel. The E-commerce Directive provides for additional information requirements concerning the details of the service provider, including its email address.

FINDINGS

The latest sweep focused on three types of practices in the mobile services sector that compromise consumer rights, namely unclear information about the offer's price, trader information and misleading advertising. Of the 558 websites checked, 466 have been earmarked for further investigation. In other words, a staggering 80 per cent of mobile services websites are potentially in breach of basic consumer protection legislation applicable to online trading. Of these, 76 have a cross-border dimension and will be investigated by enforcement authorities in the respective Member States via the Consumer Protection Co-operation Network. In the United Kingdom, 39 out of 43 websites have been flagged for follow up action.

As ring-tones and wallpapers are particularly popular with children and young people, national authorities homed in on sites targeting (partially or exclusively) these groups. These amounted to 50 per cent of the websites checked and, according to the Commission, there is evidence that websites target children to take advantage of their lack of experience. These sites were identified by, for example, the use of children's cartoon characters, well known TV characters, or the fact that parental consent was required. The sweep found that the same high level of irregularities, 80 per cent, also applied to these sites.

Many websites had multiple irregularities and almost 50 per cent of all the sites checked had some irregularity related to the information about the offer's price. On many websites prices and related charges and fees were not clearly indicated or not referred to at all—until they appeared on a phone bill. Prices did not include all taxes, and in the case of a subscription, the word "subscription" was not clearly mentioned or the period of a subscription was not clear.

Additionally, over 70 per cent of websites lacked some of the information required to contact the trader. This is in breach of the E-commerce Directive, which requires details of the service provider, including an email address, to be displayed.

Finally, 60 per cent of websites presented the information in a misleading way. In these cases, information on the contract was available on the site but hidden in small print or was hard to find; or goods and services were advertised as "free" only for the customer to find that there were charges or that he was tied to a contract.

COMMENT

Companies behind the non compliant sites will now be contacted by the national authorities and asked to put things right. If they don't, they may face fines and/or closure of their websites. As the European Commission admits, however, tracking some of these companies down will not be easy. Of those on the consolidated name and shame list, for example, a fair proportion appears as "not known". The Commission and national authorities face a Sisyphean task in controlling unlawful practices in the burgeoning market for mobile services, which, as well as ring-tones and wallpapers for mobile phones, includes, for example, subscriptions to chat services, phone games, logos and so on. These are all widely advertised and sold online, or through any other media that is likely to appeal particularly to the young.

The clear message for all traders is that websites selling products and services must ensure that all elements of the price, including taxes, are clear. This includes information tying the consumer to a long term subscription. Additionally, there should be clear contact information available through the home page in order to comply with the information requirements of the Distance Selling Directive and the E-commerce Directive. Unfortunately, in this respect, many legitimate companies avoid placing clear contact information on their sites in order to cut down administrative costs or to prevent spam and other attacks on the service. That, however, does not mean that they are not in breach. In the particular case of mobile phone services, the use of the word "free" to draw consumers into signing up to services that are anything but, is a clear breach of the UCPD and, of course, a criminal one at that.

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* APOLOGY

In a previous version of The European IP Bulletin Issue 53 August/September 2008 the piece on Aerotel v WaveCrest Group Enterprises [2008] EWHC 1180 (Pat) reported in error that Aerotel alleged that WaveCrest had dishonestly doctored a document being relied on as prior art in this case. Although Aerotel in this case did reassert the allegations of doctoring it had made in a separate US action, at no time was it alleged that WaveCrest was in any way involved in or responsible for this. This error has now been corrected. We apologise to WaveCrest and our readers for this error and any confusion that it may have led to.

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