



## COMMERCIAL

### Law Applicable to Contractual Obligations

Regulation 593/2008/EC on the law applicable to contractual obligations, which harmonises the way in which the EU Member States determine what law is to apply to contractual disputes, is due to take effect in the United Kingdom from 17 December 2009. Although creating more certainty, it preserves the rule that in the absence of a clause on the choice of law, the applicable law is that of the place of residence of the person performing the contract.

### SCOPE AND BASIC RULES

The Regulation covers any civil or commercial contractual obligations. It sets out a series of exclusions, including obligations arising out of, *inter alia*, revenue, customs and administrative matters. Where parties have chosen a law, either expressly or where “clearly demonstrated” by the contract, then that law shall apply. The chosen law may apply to the whole, or a specified part of the contract.

The parties cannot derogate from the rule that where “all other elements relevant to the situation at the time of the choice” are located in a country other than the country that has been chosen, then the laws of that country shall prevail.

### LAW APPLICABLE IN THE ABSENCE OF CHOICE

Where the parties have not specified contractually a choice of law, the Regulation specifies what law shall apply. For example, under Article 4, a contract for the sale of goods shall be governed by the law of the country in which the seller is habitually resident. Similar provisions apply to other contracts, including contracts for the provision of services.

Where the contract is “manifestly more closely connected” to a country other than the country specified in the above provisions, then the law of the connected country shall apply. If the correct law cannot be determined in accordance with Article 4, then the law shall be that of the country with which the contract is most closely connected. The Regulation further imposes additional rules and conditions for certain specialist types of contracts.

Unsurprisingly, consumer contracts are governed by the laws of the country in which the consumer is habitually resident, provided that the business party pursues his commercial activities in, or directs such activities to that country. Any other election as to the applicable law must not deprive a consumer of protection which the business party could not avoid contractually under the law which would have normally applied to the contract.

### COMMENT

Although parties remain largely free to choose the law that is to apply to their contracts, this freedom is curtailed in specified situations. The Regulation does not, for example, permit parties to consumer contracts to choose a law in order to avoid mandatory obligations that are contained in the national legislation normally applicable.

It can only be good news for UK businesses that the UK rules determining the law governing a contract are now consistent with the rest of Europe, as inconsistency was one of the main weaknesses of the previous regime.

### Arbitration, Anti-Suit Injunctions and the Brussels Regulation

In *Allianz SpA (formerly Riunione Adriatica Di Sicurtà SpA) v West Tankers Inc* [2009] C-185/07 (unreported), the European Court of Justice (ECJ) ruled that anti-suit injunctions are incompatible with Regulation 44/2001/EC (the Brussels Regulation) on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

In September 2004, West Tankers commenced High Court proceedings in the United Kingdom against insurers, seeking a declaration that an earlier related dispute in Syracuse arose out of a charterparty and that the insurers were bound by an arbitration agreement. West Tankers therefore applied for an injunction to restrain the insurers from taking any further steps in relation to the dispute except by way of arbitration and, in particular, requiring them to discontinue the proceedings in Syracuse. In the United Kingdom, the issue went all the way to the House of Lords which decided to refer the following question to the ECJ for a preliminary ruling: “Is it consistent with Regulation 44/2001/EC for a court of a Member State to make an order to restrain a person from commencing or

continuing proceedings in another Member State on the ground that such proceedings are in breach of an arbitration agreement.”

The ECJ held that even though the English proceedings did not come within the scope of the Regulation, they might have consequences that undermined its effectiveness. It was therefore appropriate to consider whether the earlier proceedings brought by the insurers against West Tankers before the Tribunale di Siracusa themselves came within the scope of the Regulation. It could then be ascertained what were the effects of the anti-suit injunction on those proceedings.

Adopting this approach, the Court found that if, because of the subject-matter of the dispute, the proceedings came within the scope of the Regulation, a preliminary issue concerning the applicability of an arbitration agreement (and including in particular its validity) also came within its scope. Thus the objection of lack of jurisdiction raised by West Tankers before the Tribunale di Siracusa on the basis of the existence of an arbitration agreement, including the question of the validity of that agreement, came within the scope of the Regulation. It was therefore exclusively for that Court to rule on that objection and on its own jurisdiction.

It followed that an anti-suit injunction, such as that sought in the main proceedings, was contrary to the general principle derived from case law on the Brussels Convention (on which the Regulation is based), that every court itself determines whether it has jurisdiction to resolve the dispute before it (*Gasser* [2003] C-116/02 ECR I-14693). Moreover, such injunctions ran counter to the trust which the Member States accord to one another’s legal systems and judicial institutions and on which the system of jurisdiction under the Regulation was based (*Turner*). The concerns raised at the prospect of the Advocate General’s opinion being followed by the ECJ have now crystallised. It has been suggested that London’s status as a prime arbitral seat could be undermined and arbitrators’ powers to determine their own jurisdiction may be ceded to national courts other than those in the seat of arbitration. Consequently, tactical proceedings designed to delay the arbitration process seem inevitable.

## COMMUNICATIONS & NEW MEDIA

### EU Safer Social Networking Agreement

On 10 February 2009, 17 social networking sites signed an agreement on a set of Safer Social Networking Principles for the European Union. The principles are not legally binding but represent another step in the European Commission’s campaign against cyberbullying as part of its Safer Internet programme

(see IP/08/1899). This mirrors work carried out in the United Kingdom by the Home Office Task Force on Child Protection on the Internet and being taken forward by the new UK Council for Child Internet Safety. The principles represent the Commission’s attempt to harmonise safety policies and procedures across the European Union for providers of social networking services that have a cross-border dimension. As well as raising awareness, the principles lay down default procedures and policies such as the provision of a report abuse button and default privacy settings.

### SAFER SOCIAL NETWORKING PRINCIPLES

- Principle 1: Raise awareness of safety education messages and acceptable use policies to users, parents, teachers and carers in a prominent, clear and age-appropriate manner.*
- Principle 2: Work towards ensuring that services are age-appropriate for the intended audience.*
- Principle 3: Empower users through tools and technology.*
- Principle 4: Provide easy-to-use mechanisms to report conduct or content that violates the Terms of Service.*
- Principle 5: Respond to notifications of illegal content or conduct.*
- Principle 6: Enable and encourage users to employ a safe approach to personal information and privacy.*
- Principle 7: Assess the means for reviewing illegal or prohibited content or conduct.*

### BACKGROUND

The ambit of the agreement on safer networking extends beyond combating cyberbullying, which is characterised as repeated verbal or psychological harassment carried out by an individual or group against others. Such conduct-based risk, which also includes divulging personal information, is just one of four types of online risk to children addressed by the agreement. The others are illegal content, such as images of child abuse and unlawful hate speech; age-inappropriate content, such as pornography or sexual content, violence, or other content with adult themes; and contact-based risk, which relates to inappropriate contact from adults with a sexual interest in children or by young people who solicit other young people.

A basic tenet of the new agreement is that social networking providers, which allow either children or young people and adults to subscribe to their services, have a responsibility to ensure that they have assessed their sites for potential risks and put in place appropriate measures and tools in order to mitigate

those risks. Service providers are expected to work collaboratively with other stakeholders including parents, teachers and other carers, governments and public bodies, law enforcement authorities, child protection agencies and the users themselves.

The signatories to the agreement have committed themselves to a deadline of April 2009 to inform the Commission about their individual safety policies and how they will put the principles in place. The sites will also put online information about their safety policies. The Commission will monitor the implementation and in 18 months the stakeholders will review policies and practices with a view to updating the agreement if necessary.

It is incumbent on providers to assess the extent to which specific recommendations apply in their particular case and the principles are not legally binding. However, it is implicit arguably in the Commission's pledge to monitor and review the implementation that insufficient commitment to the achievement of the agreement's aims could mean that some of its aspects become mandatory.

#### COMMENT

There should be nothing in the agreement that takes a socially-conscious service provider outside its comfort zone. Nonetheless, there are thousands of service providers running blogs, chat rooms and other open forums of varying degrees of sophistication that may not feel obliged to self-regulate in this way. As a result, there is a need for broader initiatives, such as the Commission's campaign against cyberbullying, of which the networking principles are merely a part.

The EU principles are likely to feature in the development of a Child Internet Safety Strategy, which has been identified as one of the priorities for the new UK Council for Child Internet Safety.

## ENTERTAINMENT & MEDIA

### Online Libel: Evidence of Substantial Publication and Abuse of Process

In *Christopher Carrie v Royd Tolkien* [2009] EWHC 29 (QB), the Claimant argued that libellous comments about him posted on his blog remain actionable, even after he had the opportunity to take them down but decided not to so that he could put them "in context". The court held that the claim was an abuse of process.

#### BACKGROUND

Mr Carrie ran a blog for the promotion of a book in which he made allegations of abuse by a member of the Defendant's family. Unfavourable postings appeared alleging, *inter alia*, that Mr Carrie was a fraudster. Mr Carrie posted a response but

allowed the original posting to remain, ostensibly to put it "in context" and to allow anyone who read it to see how that posting came about and what he had to say about it.

The Defendant applied for summary judgment on the basis that Mr Carrie's failure to remove the original posting amounted to consent and what was left of the claim should be struck out as there was no realistic prospect of establishing a real and substantial tort.

#### DECISION

Granting summary judgment, Eady J. held that putting the words "in context" did not detract from the defence of authorisation or acquiescence. Mr Carrie could have removed it at any time and this was hardly compatible with his suggestion that he had suffered "substantial upset and distress".

As to the brief period before Mr Carrie discovered the posting, it was held that it was insufficient to plead that the posting had been accessed "by a large and unquantifiable number of readers". There was no presumption that placing material on the internet led automatically to substantial publication. It was necessary to establish any publication relied upon. The claim was classified as an abuse of process, in accordance with the doctrine in *Jameel v Dow Jones* [2005] QB 946, because of the minimal level of publication.

#### COMMENT

It is clear that the courts are getting fed up with this type of action. Even if Mr Carrie had not acquiesced in the continued publication of the comments, without evidence of publication based on records of visitors to his website, his claim could not succeed. Notwithstanding the rarity of findings of abuse of process, it is perhaps fair to say that the judge would have considered that the claim fell within the *Jameel* doctrine regardless.

### Child's Right to Privacy

In *Reklos and Davourlis v Greece* (Strasbourg) [2009], the European Court of Human Rights held that taking photographs of a baby, without parental consent, amounts to a violation of its right to privacy under Article 8 of the European Convention on Human Rights (ECHR). The European Court stressed that Article 8 presupposed obtaining the consent of the person concerned when the picture was being taken and not just when it came to possible publication.

#### BACKGROUND

Immediately after Anastasios Reklos' birth, he was placed in a unit to which only medical staff had access. Professional photographs of the baby were taken and his parents objected to this intrusion without their consent.

Following the clinic's refusal to hand over the negatives, the parents brought before the Greek courts an action for damages that was dismissed. They appealed unsuccessfully against that decision and lodged an appeal, submitting that the courts rulings had infringed their son's right "to dignity" and "to protection of private life". The appeal was dismissed on the ground that it was too vague.

## COMPLAINTS

Relying on Article 6(1) ECHR, the parents complained about the dismissal by the Greek courts of their action. They further complained of a breach of their child's right to respect for his private life under Article 8.

## EUROPEAN COURT'S DECISION

The European Court upheld the complaints. Declaring the parents' appeal inadmissible on the sole ground that it had been too vague amounted to excessive formalism. This had prevented the parents from having their allegations examined by the Court of Cassation, in breach of the right of access to a court under Article 6 (1).

The European Court stressed that a person's image revealed their unique characteristics and constituted one of the chief attributes of their personality. It added that protection of the right to control one's image presupposed obtaining the consent of the person concerned when the picture was being taken and not just when it came to possible publication. The negatives also could have been used at a later date. As such, the Greek courts had not taken sufficient steps to guarantee Anastasios's right to protection of his private life, in breach of Article 8.

## COMMENT

One may wonder whether a picture of a child can ever be taken without obtaining parental consent. However, it may not have been considered that merely holding the negatives would compound a breach of privacy. It will be interesting to see how the UK courts deal with references to the "negatives" point as they tend to draw a distinction between the circumstances of a photograph being taken and the nature of its publication, the latter being much more likely to infringe.

## TRADE MARKS

### Acquired Distinctiveness

In *New Look Ltd v Office for Harmonization in the Internal Market (OHIM)* [2008] T-435/07 (unreported), the Court of First Instance (CFI) made it clear that, in order for a mark lacking distinctive character to be registrable on the basis of acquired distinctiveness under Article 7(3) of the Community Trade Mark Regulation (40/94/EC), an applicant must demonstrate that the mark has acquired distinctive character

through use in the whole Community and not just the substantial part in which it was found to lack inherent distinctiveness.

## BACKGROUND

In 2002, New Look, the high street clothing retailer, filed a Community Trade Mark (CTM) application for the word mark NEW LOOK for goods and services in Classes 3, 4, 9, 11, 14, 16, 18, 20, 25, 26, 28, 35 and 36, including cosmetics, sunglasses, jewellery, articles of clothing, stationery, articles made of leather and so on, all of which were targeted at the general public.

In 2004, the OHIM examiner informed New Look that the mark was not registrable for some of the goods listed on the application on the basis that it lacked distinctive character and consisted exclusively of an indication that may serve to designate the characteristics of goods, contrary to Article 7(1)(b) and (c) of the Regulation respectively. The Classes under which registration was refused were 3, 9, 14, 18, 20, 25 and 26.

New Look subsequently submitted evidence of use of the mark to demonstrate that it had acquired distinctiveness within the Community. However, in 2006 the examiner upheld her objection on the basis that such evidence did not demonstrate sufficiently the acquired distinctive character of the mark. In addition, the examiner widened the objection to registration to include additional goods and services under Classes 16, 18 and 35.

In December 2006, New Look applied to register a declaration of division of its application in order to obtain registration in respect of those goods and services that were not objected to by the examiner. Unfortunately for New Look, the examiner refused the new application in its entirety on the same basis as before.

OHIM's Second Board of Appeal upheld that decision. The Board held that the mark was devoid of distinctiveness and that the evidence filed by New Look was not sufficient to show that the sign had acquired distinctive character through use in the minds of the general consumer public.

The Board took the view that the relevant public included those consumers of the category of goods in question within the Community who were native English speakers and also those who understood basic English. Thus, the relevant public in these circumstances included the general public of Cyprus, Finland, Ireland, Malta, the Netherlands, the Scandinavian countries, the United Kingdom and "all places where fashion is an important commercial activity".

## COURT OF FIRST INSTANCE

New Look then appealed to the CFI on the ground that the Board of Appeal, in requiring it to adduce evidence that the mark applied for had acquired distinctive character in Member States other than the United Kingdom and Ireland, had infringed Article 7(3). It contended that, according to current case law, it need only show evidence of use in the substantial part of the Community in which the mark was devoid of any distinctive character under Article 7(1)(b). New Look also asserted that, where a mark is a word sign in English, it can only be devoid of distinctive character in the United Kingdom and Ireland, given that English is the native language in only those two Member States.

Rejecting the appeal, the CFI stated that a mark must be refused registration if it is devoid of distinctive character in part of the Community. In addition, if a mark is to be registered, it must have distinctive character throughout the Community and not just a substantial part of it.

The CFI noted that the mark was an expression that was common in the English language and would therefore be understood to mean “new appearance” by the public who are native English speakers as well as those with just a basic level of English. It followed that a mark which consists of a combination of English words which is grammatically correct will be understood not only by the English speaking public but also by the public that has sufficient knowledge of English.

In addition, the CFI commented that “at the very least”, a basic level of English could be attributed to Finland, the Netherlands and the Scandinavian countries. The Board of Appeal was therefore correct in taking the view that the target public in those countries would understand the mark.

The CFI also stated that the public in those countries would not attribute the mark to a “particular trade origin for the goods and services” but rather, they would understand it to mean “a claim about a product or the change that product could confer on a person’s appearance”. Consequently, the Board of Appeal found correctly that the mark was devoid of distinctive character in those countries.

The CFI did disagree with the Board of Appeal’s finding that the relevant public included the general public in “all places where fashion is an important commercial activity”. Labelling this term “vague”, the CFI stated that it was incorrect to assume that the general public in the fashion centres of the Community would understand the expression “new look”. Additionally, it found that since the Board’s finding was not based on any evidence, New Look’s claim that those places were wrongly taken into account was acceptable.

Finally, the CFI decided that, contrary to what New Look claimed, it is not a complex procedure to establish the level of

command of English required in order to understand the mark. As New Look had failed to adduce evidence of use of the mark in Finland, the Scandinavian countries and the Netherlands, it had failed to prove that the mark had acquired distinctive character through use throughout a relevant part of the Community.

The CFI therefore dismissed the appeal in its entirety.

## COMMENT

In light of this judgment, an applicant seeking to register a CTM consisting of English words devoid of any inherent distinctive character must show that the mark has acquired distinctive character in relevant non-English speaking Member States as well as the United Kingdom and Ireland.

## Comparative Advertising: Smell-Alikes and Unfair Advantage

*L’Oréal SA v Bellure NV* (Opinion of Advocate General Mengozzi) [2009] C-487/07 related to some of L’Oréal’s perfumes and particularly the extent to which a well-known trade mark can be used for comparisons involving copy-cat products.

## BACKGROUND

L’Oréal is the proprietor of national and Community Trade Marks in respect of the words TRÉSOR, MIRACLE, ANAÏS-ANAÏS and NOA NOA for perfumes and also marks relating to the bottles and boxes in which it markets its perfumes.

Bellure marketed perfumes that were sold by Malaika and Starion, which provided their retailers with lists comparing the smell and price of Bellure’s perfumes to those of L’Oréal, by reference to L’Oréal’s registered trade marks.

L’Oréal brought proceedings in the High Court alleging trade mark infringement of the word marks and bottle and box marks under Section 10(1) and 10(3) of the Trade Marks Act 1994, respectively. It was held that all of the word marks and some of the packaging marks had been infringed.

Starion and Malaika appealed the decision and the Court of Appeal referred questions to the European Court of Justice (ECJ) concerning the inter-relationship between the Trade Marks Directive (89/104/EEC) and the Comparative Advertising Directive (84/450/EEC).

## OPINION

Advocate General Mengozzi considered that Article 5(1)(a) of the Trade Marks Directive must be interpreted as meaning that the proprietor of a trade mark cannot prohibit use by a third party in comparative advertising of a sign that is identical to that mark for goods or services which are identical to those for

which the mark is registered, where such use does not affect, or is not liable to affect, the mark's essential function of providing a guarantee of origin. However, he stated that such activities *could* be prohibited under Article 5(2), provided that the necessary requirements of that Article were satisfied.

The Advocate General considered that it would remain a matter for national courts to determine, on a case-by-case basis, whether or not the use of a sign takes unfair advantage of that mark's reputation. He also considered that it was only necessary to assess whether advantage had been "unfair" if it had been established that there was no "due cause" for the use.

#### COMMENT

There has been extensive criticism of the Advocate General's opinion, specifically its rather circular logic that advantage will always be unfair where use is without due cause. He did not define due cause and, in view of the narrow interpretation given to the phrase by the English courts, it is felt that nearly all advantage would be unfair if this opinion is followed by the ECJ.

#### Genuine Use and Give Aways

In *Silberquelle GmbH v Maselli-Strickmode GmbH* C-495/07, the European Court of Justice (ECJ) was asked for a preliminary ruling on whether there is genuine use of a trade mark which is applied to goods given away free of charge when a consumer purchases other goods from the same origin. Agreeing with Advocate General Colomer, the ECJ held that there was no genuine use in such circumstances.

#### BACKGROUND

Maselli is a manufacturer and distributor of clothing and the proprietor of an Austrian trade mark in respect of WELLNESS for printed matter, clothing and non-alcoholic drinks. It does not sell drinks under the WELLNESS mark, but gives them away free of charge to purchasers of its WELLNESS-branded clothing.

Silberquelle, a drinks distributor, applied for the cancellation of the mark for non-alcoholic drinks under Article 10(1) of the Trade Marks Directive (89/104/EEC) (no genuine use within five years of registration), or Article 12(1) (no genuine use for a continuous period of five years) as implemented into Austrian law, on the basis that no genuine use had been made of the mark in respect of any relevant goods.

The Austrian patent and trade mark registry stayed the cancellation proceedings and referred to the ECJ the question of whether Articles 10(1) and 12(1) of the Directive are to be interpreted as meaning that a trade mark is being put to genuine use if it is used for promotional goods given away free of charge to customers.

#### DECISION

Following *Ansul BV v Ajax Brandbeveiliging BV* [2003] C-40/01 and *Verein Radetzky-Orden* C-442/07, the ECJ held that "genuine use" must be understood to denote actual use, consistent with the essential function of a trade mark, which is to guarantee the identity of the origin of goods or services to the consumer.

The ECJ concluded that Maselli's WELLNESS drinks were not distributed with the aim of penetrating the market for non-alcoholic drinks. Under the circumstances, affixing the mark to non-alcoholic drinks did not contribute to creating an outlet for those items or to distinguishing, in the interest of the customer, those items from the goods of other undertakings. The ECJ held that Articles 10(1) and 12(1) must be interpreted as meaning that, where the proprietor of a mark affixes that mark to items that it gives, free of charge, to purchasers of its goods, it does not make genuine use of that mark in respect of those promotional goods.

#### COMMENT

The ECJ reiterated the Advocate General's point that trade marks should not be permitted to languish on the register if no genuine use is made of them, as one of the objectives of the Trade Marks Directive is the protection of competition in the markets for goods and services. As the Advocate General stated, the fact that responsibility for cleaning up the registers falls to competitors "reinforces the central role of competition in bringing trade mark offices into line with the economic situation", whilst allowing trade mark offices to remain neutral.

## PARALLEL IMPORTS

#### Lawfulness of New Packaging in Which Drugs are Marketed in Another EEA State by a Parallel Importer

On a reference from the Austrian Supreme Court concerning Article 7 of the Trade Marks Directive (89/104/EEC) and the parallel importation of pharmaceuticals, the European Court of Justice (ECJ) has followed the lead of Advocate General Sharpston and concluded that the lawfulness of the new packaging, in which drugs are marketed in another European Economic Area (EEA) State by a parallel importer, is to be measured solely against whether it is capable of damaging the reputation of the trade mark and its proprietor. There is no presumption that the adverse effect on the trade mark holder's rights should be the minimum possible. As such, the trade mark holder's power to control such trade appears to be diminished. The case in question is *The Wellcome Foundation Ltd v Paranova Pharmazeutica Handels GmbH* [2008] C-276/05 (unreported).

## FORMAL CONCLUSION

The ECJ's formal response to the Austrian court was

1. *Article 7(2) of [the Trade Marks Directive as amended] is to be interpreted as meaning that, where it is established that repackaging of the pharmaceutical product is necessary for further marketing in the Member State of importation, the presentation of the packaging should be assessed only against the condition that it should not be such as to be liable to damage the reputation of the trade mark or that of its proprietor.*
2. *Article 7(2) is to be interpreted as meaning that it is for the parallel importer to furnish to the proprietor of the trade mark the information which is necessary and sufficient to enable the latter to determine whether the repackaging of the product under that trade mark is necessary in order to market it in the Member State of importation.*

## COMMENT

In following the Advocate General's opinion the ECJ has brought some clarity to the extent of a parallel importer's obligations in relation to the repackaging and notification requirements under the BMS criteria. Some uncertainties remain, however and these may continue to be explored by major pharmaceutical companies that are likely to continue opposing parallel importers unabated and on several fronts. In particular, Paranova's central concerns were that extensive disclosure of a proposed repackaging regimen by a parallel importer to a trade mark owner could result in splitting the market with the same drug, or in over-complicated demands that could impede competition within the EEA. The ECJ's ruling may not have allayed those concerns completely.

## DESIGNS & PATENTS

### Flat-Bed Airline Seat

In *Virgin Atlantic Airways Ltd v Premium Aircraft Interiors Group Ltd* [2009] EWHC 26 (Pat), unregistered design rights and patent rights subsisting in Virgin Atlantic's flat-bed seat (the UCS) were at issue.

### BACKGROUND

The UCS is the commercialisation of a seat disclosed by patent EP (UK) 1,495,908 (the Patent). Previous seats turned into beds by reclining the seat back. However, the UCS had a "flip over" design where a mattress was provided on the rear of the seat, such that the seat was flipped over when converted into bed mode. The UCSs were aligned in an inward facing herringbone arrangement, where each seat faced towards the aisle at a slight angle to the longitudinal axis of the plane. An outward facing herringbone is when the seats face away from the aisle. Both an inward and outward facing herringbone were known. However, until the UCS, the perception in the industry

was that passengers would not like an inward facing herringbone.

The UCS was manufactured for Virgin by Contour. Subsequently Contour, together with its external designers Acumen, designed the "Rock" seat for Cathay Pacific, which was later used as a basis for the "Solar Eclipse" seat for Air Canada.

Virgin alleged that these seats, or kits for these seats, infringed the Patent and also that Contour infringed its unregistered design rights in the UCS. Contour denied the allegations.

### UNREGISTERED DESIGNS

Virgin alleged that, due to pressure of time, Acumen copied a Layout of Passenger Area (LOPA) provided by Cathay Pacific, which featured a representation of the UCS in an inward facing herringbone, into a LOPA they sent to Cathay Pacific on 13 May 2004 and then copied it into another LOPA sent the following day. According to Virgin, this second LOPA became the foundation for the subsequent seat and hence the seat had been indirectly copied from the UCS.

Lewison J stated that in considering the question of copying, the function of the experts was not to evaluate the factual evidence but to point out to the court the similarities and differences between the design and the alleged infringement and the significance of those similarities and differences. Unfortunately, Virgin's design expert understood his function to be to identify the similarities between the UCS and Solar Eclipse and to disregard any differences.

Lewison J decided that Cathay Pacific's instructions were that they wanted a Virgin-style herringbone concept, but not that they wanted a copy of the UCS. At most, what Acumen took from that was the concept of the inward facing herringbone. Consequently, Lewison J rejected the allegation of copying.

### PATENTS

In reviewing the validity arguments raised by Contour, it was accepted that the existence of an outward facing herringbone arrangement was common general knowledge. However, whether an *inward* facing herringbone was common general knowledge was disputed by the parties. Lewison J decided that, although the idea of an inward facing herringbone might have been known, it was not generally regarded as a good basis for further action or development by the skilled artisan and therefore it was not part of the common general knowledge.

A central issue regarding the patent was the claim construction. It was argued by Virgin that anything in the "pre-characterising part" of the claim must be interpreted as describing the prior art. Accordingly, any integer, entity or "thing" in that part of the claim could not (or should not) be interpreted so as to claim

some feature that was not found in the prior art. However, Lewison J decided that the invention was defined by the claim, not by merely a part of the claim and there was no requirement that the characterising part of the claim should alone set out the inventive step of the claimed invention.

Regarding infringement of the patent, the court focused on whether the claim integer “each seat unit... further comprising means forming or being configurable for forming a substantially flat bed” limited Virgin’s claims to simply flip-over seats. If the claim was so limited then it was agreed by both parties that there could be no infringement by Contour.

Lewison J determined that the fact that it was the seat unit, rather than the seat, which must “further” comprise the bed, emphasised that the claim was speaking of something different from the seat itself and the claim was limited to flip-over seats.

#### COMMENT

Lewison J concluded that Virgin Atlantic had failed to prove that Contour copied its designs and consequently the claim for infringement of unregistered design right failed. In addition, Lewison J determined the patent to be valid but not infringed.

Although numerous references to the UCS were made during the various design stages of the Solar Eclipse seat, it was made clear that these references did not prove copying and that it was understandable that a competitor would analyse the UCS when trying to create a better product. Furthermore, claims of a patent must first be viewed as a whole and then construed in context with the patent description and drawings; this assessment cannot be stretched to cover features that were not originally intended to be covered.

Virgin has since announced that it will be appealing the judgment.

## PATENTS

### Insufficiency, Inventive Step and Technical Contribution

In *Generics (UK) Ltd v H Lundbeck A/S* [2009] UKHL 12, the House of Lords has provided some clarity in relation to sufficiency, in particular with respect to another, oft cited, House of Lords decision in *Biogen v Medeva* [1997] RPC 1.

#### BACKGROUND

The patent in question claimed the (+) enantiomer of citalopram. The racemic mixture of citalopram was known at the priority date and was a commercially successful anti-depressant. Lundbeck invented a means of separating the racemic mixture and, upon testing each enantiomer, it was found that only the (+) enantiomer has the desired anti-

depressant effect. Lundbeck applied for, and was granted, a patent directed to the (+) enantiomer.

There was no dispute that Lundbeck was entitled to patent protection for its process of separating the (+) and (-) enantiomers. What was in dispute was Lundbeck’s claim to the (+) enantiomer *per se*. According to Generics, Lundbeck claimed the (+) enantiomer made by any method, whereas the patent specification itself only disclosed one way of making it and was therefore insufficient under the reasoning in *Biogen*.

Applying *Biogen*, the High Court held that the patent was insufficient (*i.e.*, claimed more broadly than the “technical contribution” of the invention merited). However, this was reversed on appeal on the basis that too broad a principle had been extracted from *Biogen*.

#### HOUSE OF LORDS DECISION

Generics appealed to the House of Lords maintaining that *Biogen* should be interpreted liberally and that the patent is therefore insufficient.

The claim of the *Biogen* patent was unusual in that it was directed to a product identified in part by how it was made and in part by what it did. The claim also covered a large number of embodiments. It was held to be invalid because it covered ways of “delivering the goods” within the scope of the claim that owed nothing to the teaching (“technical contribution”) of the patent.

In contrast, Lundbeck’s claim was a simple product claim to the (+) enantiomer only and, as such, *Biogen* was not relevant given the unusual nature and broad scope of the claim in that case.

The mistake of applying *Biogen* more widely than it should be was attributed to the focus in that case on inventive step, leading to “inventive step” or “inventive concept” being seen, incorrectly, as synonymous with “technical contribution to the art”.

All of the Lords were in agreement that the disclosure of the patent was sufficient. Lundbeck’s technical contribution was to make available the isolated enantiomer and so it followed that the claim to this enantiomer met the requirements for sufficiency, even though this means that, by finding one method of making a product, a person can obtain a patent for that product regardless of how it is made.

## ADVERTISING & MARKETING

### Direct Marketing: Database Practice

The Advertising Standards Authority's Adjudication against Direct Home Shopping Brands Ltd t/a Kaleidoscope Ltd (28 January 2008) reminds advertisers that the explicit and informed consent of consumers is required before disclosing their personal details to third parties for direct marketing purposes. Because small print in Kaleidoscope's advert for a marquise ring stated that, by responding to the ring promotion, consumers were consenting to Kaleidoscope sharing their information with other organisations that might contact them for direct marketing purposes, the ASA decided that the advert was in breach of the Committee of Advertising Practice (CAP) Code Clauses 43.4c and 43.5 (Database practice).

### THE ADVERT

A national press advert, for a marquise ring, was headed "STRICTLY LIMITED TO ONE PER CUSTOMER, WHILE STOCKS LAST! FREE Ring All you pay for is the postage!"

Small print on the order form stated

*By ordering from us, you are consenting to us sharing your information with other organisations and to us or them contacting you for marketing purposes by mail, telephone, email or otherwise. If you do not wish to be contacted by us by telephone for marketing purposes please tick this box. If you do not wish to be contacted by other organisations for marketing purposes, please tick this box.*

### DATABASE PRACTICE BREACHES

In response to the ASA's challenge as to whether the data protection information complied with the CAP Code, Kaleidoscope stated only that the data protection statement was drafted by solicitors and the company believed that it complied with the Data Protection Act 1998.

The ASA decided that the data protection statement in the advert constituted a breach of CAP Code Clause 43.4c which states that "consumers should be informed at the time when personal information is collected if it is intended to disclose the information to third parties, including associated but legally separate companies."

The ASA also said that the ad breached Code Clause 43.5. This states that "marketers should first get the explicit consent of consumers" if it is decided to disclose personal information to third parties for either direct marketing purposes or for any purpose different substantially from that which consumers could reasonably have foreseen and to which they might have objected.

### OTHER BREACHES

The ASA also found the advert in breach of several other CAP Code clauses including 7.1 and 7.2 (truthfulness) and 32.5 (free offers and free trials). The ASA decided that the description of the ring as "free" was misleading because Kaleidoscope included £3.95 for postage and packaging. Advertisers are warned that an offer should be described as free only if consumers paid no more than the true cost of freight or delivery, such as the current public rate of postage. A company's own standard delivery charge cannot accompany a "free" claim in an advert unless it can be shown that the delivery charge is no more than the true cost of postage for the "free" product.

The ASA also stressed the importance of sufficient prominence given to significant conditions likely to affect consumers' understanding of the promotional offer. The ASA decided that the fact that a mandatory personal account would be set up in lieu of the customer sending money was not sufficiently prominent in the advert and breached CAP Code Clauses 7.1 and 7.2 (truthfulness).

### COMMENT

In order to comply with CAP Code rules regarding database practice, advertisers and their solicitors need to ensure that consumers have given their explicit consent to the passing on of personal information to third parties for direct marketing purposes or for any substantially different purpose beyond the consumer's expectation.

By allowing the consumer to opt-in with a tick in the box rather than to opt-out, Kaleidoscope would have avoided the breach. In order for consent to be given, consumers need to be aware of the intention to disclose their personal details to third parties. Also, including the intention to disclose personal information in the body of the text rather than in the small print would have been a better approach. Kaleidoscope did neither. The fact that the complaints about the data protection statement on the Kaleidoscope advert came from the ASA itself demonstrates that the authority is quick to pick up on any potential breaches of CAP Code rules, even if consumers are not.

## INTELLECTUAL PROPERTY

### Software Patenting: EPO Consultation

In the January 2009 Official Journal of the European Patent Office (EPO), an official announcement concerning the four pivotal questions being referred by the President under case G3/08 was published.

The questions being referred to the Enlarged Board of Appeal are

1. Can a computer program only be excluded as a computer program as such if it is explicitly claimed as a computer program?
2. (a) Can a claim in the area of computer programs avoid exclusion under Article 52(2)(c) and (3) of the European Patent Convention merely by explicitly mentioning the use of a computer or a computer-readable data storage medium?
  - (b) If question 2 (a) is answered in the negative, is a further technical effect necessary to avoid exclusion, said effect going beyond those effects inherent in the use of a computer or data storage medium to respectively execute or store a computer program?
3. (a) Must a claimed feature cause a technical effect on a physical entity in the real world in order to contribute to the technical character of the claim?
  - (b) If question 3 (a) is answered in the positive, is it sufficient that the physical entity be an unspecified computer?
  - (c) If question 3 (a) is answered in the negative, can features contribute to the technical character of the claim if the only effects to which they contribute are independent of any particular hardware that may be used?
4. (a) Does the activity of programming a computer necessarily involve technical considerations?
  - (b) If question 4 (a) is answered in the positive, do all features resulting from programming thus contribute to the technical character of a claim?
  - (c) If question 4 (a) is answered in the negative, can features resulting from programming contribute to the technical character of a claim only when they contribute to a further technical effect when the program is executed?

The President wishes to canvass as much third party commentary as possible and states in the final paragraph of the announcement

*It is expected that third parties will wish to use the opportunity to file written statements in accordance with Article 10 of the Rules of Procedure of the Enlarged Board of Appeal (OJ EPO 2007, 303 ff). To ensure that any such statements can be given due consideration they should be filed together with any new cited documents by the end of April 2009 at the Registry of the Enlarged Board of Appeal, quoting case number G 3/08. An additional filing of the statement and documents in electronic form would be appreciated ([Dg3registry\\_eba@epo.org](mailto:Dg3registry_eba@epo.org)).*

With so much at stake for an entire industry (and for an even larger number of companies that are directly dependent and/or affected by computer-related inventions), there is likely to be a vast number of observations submitted to DG3 regarding this subject matter area.

## DOMAIN NAMES

### Resellers—Legitimate Use of Third Party Marks

In *Oracle International Corporation v Contractors Network Ltd* [2008] D2008-1493 World Intellectual Property Organization (WIPO), the software giant, Oracle International, failed in its bid to have the disputed domain name oraclecontractors.com transferred to it after presenting what the panel described as “not a particularly strong” *prima facie* case under the Uniform Domain Name Dispute Resolution Policy (UDRP). The decision demonstrates that ownership of a famous trade mark or series of trade marks does not automatically entitle a party to prevent use of the trade marks in a domain name if such use is the only way to adequately describe the respondent’s business.

### THE COMPLAINT

Oracle described itself as “the world’s leading supplier of software for information management”. Oracle is the owner of various registered trade marks, including a UK Class 35 registration covering various services related to software and information management.

Oracle argued that the domain name was confusingly similar to the ORACLE mark in which it had rights. Oracle claimed that Contractors Network had no rights or legitimate interests in respect of the domain name and that it had obviously been aware of the ORACLE mark at the time it registered the domain name, as it offered services in relation to Oracle’s range of products. Further, Oracle claimed that Contractors Network was only seeking to capitalise on the ORACLE mark and take unfair advantage of its rights and thus could not contend that its actions had been in connection with a *bona fide* offering of services. Finally, Oracle argued that the use by Contractors Network of the ORACLE mark in the domain name would confuse potential customers into thinking that Oracle was the source of, or was associated with, or had sponsored, the Contractors Network’s website. According to Oracle, the domain name was therefore registered in bad faith.

### THE RESPONSE

Contractors Network started trading in September 2001 and had always used the domain name in connection with its business. Its website was prominently headed “Global Oracle Contractors Network”, and appeared to be focused solely on Oracle products without containing any third party advertising.

Contractors Network argued that the term “Oracle contractors” was a customary usage in the *bona fide* and established practices of the trade and that it had always used the domain name in connection with its business, which was “labour recruitment”. The domain name was simply descriptive of the services that they provided, namely the provision to end-user businesses of individual contractors who were skilled in working with Oracle products.

## THE VERDICT

Dismissing the complaint, the panel held that, whilst incorporating a complainant’s trade mark in a disputed domain name was often an important factor, it did not inevitably lead to a finding of confusing similarity. In this case, Contractors Network demonstrated via its rebuttal evidence that there were numerous users of the expression “Oracle”, both in domain names and in the names of companies and businesses around the United Kingdom and many other jurisdictions around the globe. The combined expression “Oracle Contractors” referred to an identifiable group of people that might be distinct from Oracle itself. Such a group would not necessarily have any contractual or licensing relationship with Oracle. As a result, in the panel’s view Oracle failed to make out its case under paragraph 4(a)(ii)—that a respondent has no rights or legitimate interests in respect of the domain name.

Nor was the panel persuaded that Contractors Network lacked rights or legitimate interest in oraclecontractors.com. The services being offered through the Contractors Network’s website were likely to be used by business or professional customers who either would already appreciate the independent status of the contractors available through Contractors Network’s website, or would spend sufficient time before any commitment was made, learning about the offered services (including the fact that they were not associated with or endorsed by Oracle). Further, there was no suggestion in this case that Contractors Network was in fact “trying to corner the market” for domain names incorporating the expression “oracle” (or the longer expression “Oracle Contractors”). Consequently, in the panel’s view, Contractors Network brought itself within the test for *bona fide* use.

In conclusion, Oracle’s complaint failed as Contractors Network was using the domain name in a perfectly acceptable fashion in the light of previous WIPO decisions. As such, there was no need for the panel to consider the issue of bad faith registration and use.

## COMMENT

It seems from this case that under the UDRP, fame and reputation in a trade mark is absolutely no guarantee of a trade mark owner being able to wrestle the domain name back from a registrant if the use of the trade mark in the domain name is

necessary in order to accurately describe the services being legitimately supplied by a registrant.

The decision, however, stands comparison with the Nominet ruling in *Research in Motion Ltd (RIM) v Ms Michelle Field* [2007] DRS 3960. This clearly suggested that, where a domain name has appropriated the trade mark of another party and is being used more than merely in a descriptive manner, a Nominet expert or Appeal Panel is likely to consider its registration abusive, unless there is a clear indication in the domain name itself that there is no association between respondent and trade mark owner, as well as a clear disclaimer on the site.

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