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## DATA PROTECTION

### Information Commissioner's Office Threatens Tougher Sanctions for Failure to Report Security Breaches

The Data Protection Act 1998 imposes eight principles on those controlling the processing of personal data in the United Kingdom. The seventh data protection principle is to ensure that "appropriate technical and organisational measures shall be taken against unauthorised or unlawful processing of personal data and against accidental loss or destruction of, or damage to, personal data". Neither the seventh principle nor the Act go as far as imposing a statutory requirement to notify either individuals concerned or regulatory bodies in the event of a personal data security breach.

Although there is no legal obligation on data controllers to report breaches of security that result in loss, release, or corruption of personal data, between late 2007 and late 2009 over 800 data security breaches were reported to the Information Commissioner's Office (ICO). While mistakes accounted for 195 of the data security breaches, 262 were the result of theft, often where the personal information was held on an unencrypted portable device. This level of reporting reflects guidance given by the Information Commissioner that serious breaches should be brought to the attention of his Office so that the nature of the breach or loss can then be considered, together with whether the data controller is meeting properly his responsibilities under the Act.

There is no definition of "serious breach" but the ICO suggests that in the event of data loss an assessment be made of the potential harm and the extent of harm caused by the loss. The ICO considers "harm" to include possible exposure to identity theft or to private information being made known to others. Where there is significant actual or potential harm as a result of the loss, whether because of the volume of data, its sensitivity, or a combination of the two, there should be a presumption to report the loss to the ICO.

It is difficult to be precise about what constitutes a large volume of personal data. Every case must be considered on its own merits but the ICO considers a reasonable rule of thumb to be any collection of data containing information about 1000 or more individuals. However, it may be appropriate to report much lower volumes in some circumstances where the risk is particularly high, perhaps because of the circumstances of the loss or the extent of information about each individual. If the data controller is unsure whether to report or not, then the presumption should be to report.

Organisations are being urged to "talk" to the ICO when breaches occur, on the basis that whilst this might result in regulatory action, organisations have a duty to act responsibly and trying to cover up breaches that subsequently come to the attention of the ICO is likely to result in "tougher regulatory sanctions", which may be linked to the ICO's increased power to levy fines of up to £500,000 which is coming into force in April.

Serious breaches should be notified to the ICO either online or by post and should include the following information:

- The type of information and number of records.
- The circumstances of the loss / release / corruption.
- Action taken to minimise / mitigate the effect on individuals involved including whether they have been informed.
- Details of how the breach is being investigated.
- Whether any other regulatory body has been informed and its response.
- Remedial action taken to prevent future occurrence.
- Any other information that may assist the ICO in making an assessment.

Additionally, the ICO finds it useful to know whether or not the media has been informed of the loss, or if there are plans to inform the media.

The ICO will record the loss, assess the nature and seriousness of the breach and the adequacy of any remedial action taken. The ICO may then determine either that no further action is required or may investigate the circumstances of the breach and require the data controller to undertake a course of action to prevent further breaches. In certain instances, the further action may include formal enforcement action, turning such a requirement into a legal obligation.

Although there is no general publication of notifications of breach, the ICO may recommend to the data controller to make a breach public where it is clearly in the interests of the individuals concerned or there is a strong public interest argument to do so. Additionally, the Information Commissioner has a policy of publicising all regulatory action it undertakes, including obtaining formal undertakings from data controllers.

There are a few simple steps that businesses can take to minimise the risk of security breaches involving personal information occurring in the first place: ensure that all portable media devices containing personal information are encrypted, provide adequate staff training and give "proper consideration" to restricting staff from downloading large volumes of data onto portable devices, and ensure that personal information held within buildings and offices is protected by adequate security arrangements to prevent theft or the loss of the data.

What is clear for business is that relying on the letter or the law with regard to breach notification or brushing under the carpet breaches that subsequently come to the attention of the ICO, is often not the best option.

#### COMMENT

Most U.S. states already have data loss notification laws in force. The U.S. Congress is considering currently a national data breach notification law requiring businesses to notify customers and the Federal Trade Commission (FTC) if sensitive information has been exposed due to a security breach. In Europe, the Article 29 Woking Party continues to press for a data breach notification law. In the United Kingdom, although Government departments and many National Health Service organisations are obliged to inform the ICO when a data breach occurs, those in the financial services sector must notify the Financial Services Authority and communications companies will be subject to new data breach notification rules under changes to the e-Privacy Directive (2002/50/EC). However, there is currently no general legal obligation on data controllers to notify the ICO in the event of data loss. The ICO has tried to limit the impact of this legal lacuna using strongly worded guidance.

The ICO's new powers to impose monetary penalties for serious breaches of the data protection principles are expected to come into force on 6 April 2010. The ICO will be able to order organisations to pay up to £500,000 where they are found to be breaching deliberately or recklessly the data protection principles. The ICO has now published its final guidance on its new power to impose monetary penalties. Whilst not particularly enlightening, this does state that a financial penalty notice will only be appropriate in the most serious situations, taking into account the sector, the size, financial and other resources of the data controller before determining the exact amount. Organisations should note, however, that the ICO says that it will not impose a financial penalty where the breach is discovered in the process of a voluntary assessment of the data controller. In the light of the new powers and the warning of tougher sanctions for not notifying breaches, businesses should be considering carefully the extent to which they are prepared to commit resources to ensuring general data protection compliance and working with the ICO as a matter of best practice.

### Outsourcing: Standard Controller-to-Processor Contractual Clauses

The European Commission has adopted a Decision updating the standard contractual clauses for the transfer of personal data by data controllers to data processors established in third countries. The Decision modifies the current controller-to-processor standard contractual clauses "to take account of the expansion of processing activities and new business models for international processing of personal data". Whereas the original clauses only covered transfers by data controllers to non-EU processors and not beyond to non-EU sub-processors, the new clauses contain specific provisions to allow, under certain conditions, the outsourcing of processing activities to sub-processors, reflecting the Commission's recognition of "the growing trends to global processing and outsourcing".

#### BACKGROUND

The Data Protection Directive (95/46/EC) provides that transfer of personal data to third countries may take place only if the third country ensures an adequate level of protection, unless one of a limited number of specific exemptions applies. One exemption is the use of standard contractual clauses that have been approved by the European Commission under the Directive as offering sufficient safeguards for transfers of personal data to such countries.

The original controller-to-processor standard contractual clauses were approved by Commission Decision 2002/16/EC. The latest Decision updates the controller-to-processor standard contractual clauses, taking into account recommendations included in the Report on the implementation of Decisions on standard contractual clauses and proposals by different stakeholders (SEC(2006)95).

#### LATEST DECISION

The latest Decision covers a situation in which a non-EU processor sub-contracts to one or more non-EU sub-processors. The new clauses require a data processor that intends to sub-contract any of its processing operations performed on behalf of the EU data controller, first to obtain the prior written consent of the data controller. The data processor is required to impose the same obligations on the sub-processor as those imposed on the processor under the standard contractual clauses. The sub-processing must consist only of the processing operations agreed in the initial contract between data controller and data processor. Where the sub-processor fails to fulfil its data protection obligations, the data processor remains fully liable to the data controller for the performance of the sub-processor's obligations.

A third party beneficiary clause gives data subjects rights against the data controller and, under certain circumstances, against the data processor to enforce several of the contractual obligations entered into by the controller and the processor in order to ensure the protection of their rights. The data subject is also given enforcement rights against the sub-processor where the data controller and the data processor go out of business.

All contracts entered into from 15 May 2010, on which date Decision 2002/16/EC is repealed, should contain the new clauses. This includes changes to the transfer and data processing operations under current agreements or the introduction of a sub-processor.

#### COMMENT

The new Decision should make life more straightforward for data controllers and data processors by ensuring that the EU data controllers' obligations are automatically passed down the line to sub-processors.

The new Decision does not provide standard processor-to-sub-processor provisions, however. Thus, while data controllers have a way of legitimising automatically data transfers to sub-processors without the requirement that the sub-processor enters into a direct agreement with the data controller, data processors and sub-processors must still negotiate terms.

## ENTERTAINMENT AND MEDIA

### Product Placement: Alcohol and HFSS Foods off the Menu

In a Statement on product placement policy released on 9 February 2010, Ben Bradshaw, the Secretary for Culture, Media and Sport, confirmed the UK Government's intention to introduce regulations allowing limited product placement in programmes made in the United Kingdom. The new regulations will blacklist certain products including foods high in fat, salt or sugar (HFSS) and alcohol.

#### BACKGROUND

In the two years since the adoption of the Audiovisual Media Services Directive (2007/65/EC), limited product placement has been legalised in all European countries except Denmark. The Directive prohibits product placement generally, but allows Member States to derogate from the prohibition in the case of cinematographic works, films and series made for television or on-demand services, sports programmes, and light entertainment programmes.

The Department for Culture, Media and Sport (DCMS), which was previously against liberalising TV product placement in the United Kingdom, "reconsidered the position" and, keen to ensure that the United Kingdom remains an attractive forum for programme-makers, set out in a consultation paper proposals for a tightly controlled product placement regime for the United Kingdom.

#### THE NEW REGIME

The new regime will not come into force with the proposed regulations, but will allow time for Ofcom, the independent regulator and competition authority for the UK communications industries, to run a public consultation. Once Ofcom has completed its consultation, it will introduce detailed changes to the Broadcasting Code permitting product placement in certain circumstances. The DCMS anticipates that the changes to the Code will be effected by the end of this year.

The DCMS consultation raised concerns about the possibility of product placement in current affairs, consumer and religious programming. Conscious that some programmes in these categories could fall within the "series" genre, the Government has decided to exclude these programmes from the scope of the new regulations. The regulations will not apply to programmes funded by the BBC's licence fee. These will continue to be governed by the BBC's Charter, which prohibits product placement.

The new regulations will not affect programmes imported from outside the European Union, which will continue to permit product placement within the terms of the Directive, provided that they meet Ofcom's requirements, particularly in avoiding undue prominence being given to the placed product.

#### PROHIBITED PRODUCTS

The Directive prohibits product placement in relation to tobacco products and prescription medicines. The Government has decided to extend the prohibitions in the UK to alcohol, HFSS, gambling, smoking accessories, over-the-counter medicines and infant formula, including follow-on formula.

The prohibitions have been chosen with a view to potential effects on health and welfare and particularly the health and welfare of children.

#### OTHER SAFEGUARDS

The legislation will also ensure that product placement shall not affect editorial independence, be unduly prominent or directly encourage purchase and it will be for Ofcom to police programming to ensure that these objectives are met.

**COMMENT**

Whilst the ban on product placement has been enshrined in British programming since its inception, the public's sensitivity to product placement has been eroded gradually by the inclusion of branded products in films and programmes imported from overseas, particularly from the United States. The relaxation of the UK regime is likely to be embraced by programme-makers in the current austere economic climate, where any additional revenue-stream is welcome.

# INTELLECTUAL PROPERTY

## Company Names Tribunal: "Without Prejudice" Not Decisive

The United Kingdom’s Company Names Tribunal has issued Practice Note 01/10 on the use of "without prejudice" material reminding practitioners that "without prejudice" material is inadmissible in proceedings before the tribunal, just as it would be in any other legal forum.

**BACKGROUND**

Section 69 of the Companies Act 2006, which came into force on 1 October 2008, allows a brand owner to make a complaint against a company name that appears to have been registered in order to take advantage of the goodwill in the brand owner's brand or trade mark.

**THE ROLE OF THE COMPANY NAMES ADJUDICATOR**

Where the parties have legal representation, it is for their representatives to submit that material should be excluded from the proceedings because it was disclosed on a "without prejudice" basis. In these circumstances, the adjudicator will not act upon his own volition in deciding to exclude material.

Where the parties are not represented, the adjudicator will contact the parties and inform them that, in his view, certain material is inadmissible due to its "without prejudice" nature. This will include any reference to, or comments on "without prejudice" material. The parties may contest this decision in an interlocutory hearing. If it is decided that material submitted to the adjudicator should be excluded because it was disclosed without prejudice, the adjudicator will stand aside and another adjudicator will determine the substantive dispute.

**IDENTIFICATION OF "WITHOUT PREJUDICE" MATERIAL**

The tribunal will follow the normal criteria for determining whether or not material should be excluded under the "without prejudice" rule, whilst noting that whether or not material is marked "without prejudice" is not necessarily decisive as to its nature.

In particular, the adjudicator will take a view as to whether or not the material relates to a genuine attempt to settle the dispute and will take note of the judgment of Jonathan Sumption QC, sitting as a deputy High Court judge in *Marks & Spencer plc v One in a Million Ltd* [1998] FSR 265. In that case, an offer to sell the domain name burgerking.co.uk to Burger King for a vastly-inflated price, coupled with the comment "Although you currently have burger-king.co.uk, this would not be the most obvious first choice for any individual to use, should they be speculatively looking for your UK website", was not excluded as it was not considered to be part of genuine negotiations.

The Practice Note acknowledges that a protracted correspondence between the parties is more likely to be indicative of genuine negotiations and therefore excluded.

# COUNTERFEITING AND PRIVACY

## Counterfeit Goods "Abandoned for Destruction"

The Goods Infringing Intellectual Property Rights (Customs) (Amendment) Regulations 2010, which simplify the procedure for the destruction of infringing goods intercepted by Customs, were laid before the UK Parliament on 16 February 2010 and came into force on 10 March 2010. Under the new regime, Customs may deem goods to be "abandoned for destruction" if the importer is notified that the goods are counterfeit and he does not respond within a 10-day period.

**BACKGROUND**

The new Regulations amend the Goods Infringing Intellectual Property Rights (Customs) Regulations 2004, which implemented Regulation 1383/2003/EC on goods suspected of infringing intellectual property rights. Until last year, Customs officials would detain goods at the border and, if they were confirmed by the rights holder to be infringing, would seize and destroy them unless the owner of the goods appealed. In *Revenue and Customs Commissioners v Penbrook Enterprises Ltd* [2008] NIMag 2, however, the Belfast Magistrates' Court found that the procedure did not comply with the EC Regulation.

In response, Customs tightened up their procedure such that counterfeit goods could only be detained for a period of 10 days, during which the rights owner must instigate legal proceedings. If legal action was commenced, then Customs could continue to hold the goods, but could not seize and destroy them unless the rights owner obtained judgment against the importer, including a court order requiring the relevant Customs office to destroy the goods in question, or the importer abandoned the goods.

Customs' new stance increased the burden on rights owners but also led to counterfeit goods being released back to the importer because it was not economically justifiable to the rights owner to bring legal action in relation to a handful of items.

#### THE NEW REGULATIONS

The new Regulations introduce a simplified procedure whereby counterfeit goods can be deemed abandoned for destruction if the importer does not respond within the 10-day period to notification that the goods have been detained and the rights owner has confirmed that they are indeed counterfeit. The cost of destruction is to be borne by the rights owner.

#### COMMENT

The problem with the old regime was not that the 2004 Regulations went beyond the scope of the EC Regulation, as the EC Regulation provided expressly for a simplified procedure as implemented in the new UK Regulations. The problem was that the 2004 UK Regulations did not implement this simplified regime expressly, but Customs acted as if they did so. The new Regulations remedy this situation.

# COMMUNICATIONS AND NEW MEDIA

### Safer Social Networking: "More Needs To Be Done To Protect Children Online"

The European Commission has released an evaluation report on the implementation of the Safer Social Networking Principles for the European Union. The report suggests that some of the 20 companies that committed to the Principles have made significant inroads into reducing risks to the safety of children and young people using their sites. Nonetheless there is clearly still some way to go before the Commission will be satisfied that this type of self-regulation is effective.

#### BACKGROUND

The Safer Social Networking Principles for the European Union were signed on 10 February 2009 by 18 major social networking service providers active in Europe and joined by two further signatories in June 2009. 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. The agreement set down default procedures and policies such as the provision of a report abuse button and default privacy settings.

The seven safer social networking principles are

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

The signatories agreed to submit to the European Commission a self-declaration as to how they have considered the Principles that are relevant to their services. The Commission's report is based on these declarations and actual testing of the sites from the end of October to beginning of November 2009.

#### THE COMMISSION'S FINDINGS

According to the report, 19 out of 23 sites provide safety tips and information targeted specifically towards children and/or teenagers (this measure is not applicable for two services). This information was found to be both easy to access and easy to understand on 14 sites. The report also shows that most of the companies empower minors to deal with potential online risks and employ a safe approach to privacy by

- Making it easy for users to block other users and remove comments from their profiles.
- Making privacy options easy to change so that users can choose whether only their friends or the entire world can see what they post online.
- Giving users control over the display of their online status (which allows other users to see whether they are online or not).

The Commission is nevertheless concerned that "there has been less systematic implementation of other equally important measures designed to protect privacy". Of the social networking sites assessed, 40 per cent were found to make minors' personal information visible only by their friends by default. Only 11 out of 22 make it impossible for the private profiles of minors to be found through search engines, and although 19 sites out of 25 have a link for reports available at all times, only nine (out of 22) responded to complaints submitted during the assessment.

#### COMMENT

It was anticipated that participating service providers would reconvene with other stakeholders 18 months after implementation to review policies and practices with a view to updating the agreement if necessary. If, in the meantime, service providers do not address the issues raised in the Commission's report, it will be interesting to see what further action the Commission proposes when that period comes to an end.

# E-COMMERCE, IT AND BANKING TECHNOLOGY

## Business-To-Consumer Contracts Under Scrutiny

The Office of Fair Trading (OFT) launched a market study into consumer contracts on 4 February 2010. The study, which the OFT expects to complete in winter 2010, will examine when, how and why contracts may cause difficulties for consumers and will take into account developments such as the increasing number of contracts entered into online. The OFT will also look at any practices that disadvantage consumers deliberately or unintentionally.

### SCOPE AND AIMS

The aim is to update the OFT's understanding of why business-to-consumer contracts sometimes do not work well for consumers, with a view to implementing practical remedies in areas where they do not. In particular, the OFT will look at how consumers interpret contracts, for example "difficulties reading, understanding, calculating or predicting".

The OFT will also try to identify specific terms, features or types of contract with which consumers have particular difficulties. This will include exploring problems that arise both in the small print and in upfront terms. Factors affecting consumers' difficulties with contracts will also be considered. For example, the OFT will look at the difference between contracts completed face-to-face, online, over the phone or at home. It will also consider the influence of independent advice.

Finally, the OFT will examine how firms use contracts. In particular it will examine why firms sometimes use contracts that do not work well for consumers. These may include, for example, when firms set out to exploit consumers and when firms act in good faith but themselves make mistakes or are trying to protect themselves from uncertainty, follow the market, or pursue other motivations. The OFT will consider when competition or consumer learning resolve problems and when not.

### FURTHER ACTION

The study may result in the deployment of a number of practical solutions ranging from consumer education, consumer guidance and guidance to firms about terms, features or types of contract that cause particular problems to "working with" Trading Standards and Consumer Direct, as well as the sector regulators, to address particular problems with contracts or issues that cut across markets. Ultimately, however, the study could lead to specific regulatory intervention including encouraging industry codes of practice and recommendations to the Government or to sector regulators. Firms may also find themselves subject to investigation and enforcement action where the study reveals specific breaches of consumer or competition law.

### COMMENT

The OFT's position on issues facing consumers in light of the trend towards distance browsing and buying should become much clearer following the publication not only of this latest study but also those ongoing, specifically the two separate market studies into advertising and pricing (one on online targeting of advertising and prices and the other on advertising of prices) launched on 15 October 2009.

# COMMERCIAL

## Indemnities and the Meaning of "Subsidiary"

In *Enviroco Ltd v Farstad Supply A/S* [2009] EWCA Civ 1399, the entitlement of Enviroco as an alleged "affiliate" of Asco UK Ltd, to rely on an indemnity in a charterparty against claims brought by the shipowner, Farstad was disputed. The Court of Appeal of England and Wales ruled that Enviroco was not a subsidiary for the purposes of Section 736 of the Companies Act 1985.

### BACKGROUND

Enviroco was instructed to clean the tanks of the oil rig supply vessel, MV Far Service, owned by Farstad and chartered to Asco under a charterparty. During the course of the cleaning operation, oil was ignited and caused a serious fire, killing one of Enviroco's employees. In March 2007, Farstad issued proceedings in Scotland against Enviroco for damages amounting to some £2.7 million. The scope of the indemnity depended on the definition of "subsidiary" in Section 736 as supplemented by Section 736A of the 1985 Act as amended.

### PARTIES' CONTENTIONS

Enviroco pleaded that it was a subsidiary of Asco plc pursuant to Section 736(1)(c) because Asco plc controlled a majority of the voting rights. However, on 11 May 2000, Asco plc charged its shares in Enviroco to the Bank of Scotland. Farstad's case was that, consequently, Asco plc ceased to be a member of Enviroco and did not qualify as a subsidiary under Secftion 736(1)(c). Enviroco argued that the condition of membership was satisfied in this case by a process of attribution derived from the provisions of Section 736A(7). It therefore followed that Enviroco was an affiliate for the purposes of the indemnity.

### FIRST INSTANCE

At first instance, Mr Gabriel Moss QC sitting as a Deputy High Court Judge found for Enviroco. The judge held that the effect of Section 736A(7) was to treat the person giving the security as the registered holder of the shares because any other construction would allow the easy evasion of Section 736. The question was what was meant by the "rights attached to the shares" in Section 736A(7). The judge considered that it must often be the case that *all* of a holding company's shares in a subsidiary are used as security and that in such a situation, unless being treated as holding "rights attached to the shares" included being treated as a registered member, then Subsection (7) would lack any effect (except where the shares used as security carried a majority of voting rights for the purposes of Section 736(1)(a)).

**COURT OF APPEAL DECISION**

Patten LJ said it was clear from Clause 1(a) that the statutory definition of "subsidiary" was to be applied. The draftsman had chosen to adopt the definition of subsidiary contained in the Companies Act and the Court had to apply it. Thus, if the result contended for by Enviroco was not available to it on the proper construction of Section 736, it could not be achieved through the terms of the contract.

Patten LJ could not see how the reference to rights in Section 736A(7) could be read as a reference to anything other than the rights described in Section 736; and membership of the company was not one of the rights described in Section 736, nor was it a right as such at all. It was a status derived from the entry of the shareholder's name in the register of members.

What was "striking", in Patten LJ's view, was that, whilst the 1989 Act amended Section 736(1), it contained no provision (similar to Section 258(3)) under which the would-be parent was deemed to be a member of the subsidiary for the purposes, *inter alia*, of Section 736(1)(c). Patten LJ acknowledged that it was a distinct possibility that the omission of a deeming provision was a mistake and that, the draftsman in seeking to reproduce in Section 736A the provisions of Schedule 10A, overlooked the fact that he had removed from Section 736 a provision equivalent to what became Section 258(3). Nonetheless, the Court did not have power when construing a statute to correct obvious errors in the legislation attributable to the drafting process.

Nor did the Court have the power to revise the provisions of a statute simply because, like the judge, it took the view that their operation might produce uncommercial results in some cases. It still had to satisfy itself that its preferred construction of the statutory language was such that could properly be attributed to the legislature. It was clear that the draftsman understood in relation to Schedule 10A that those provisions would not be effective by themselves to constitute a beneficial owner of the voting rights a member of the subsidiary company without an express provision to that effect.

**COMMENT**

To Patten LJ, the fact that the deeming provision was included in the original drafts of both Section 736 and Section 258 under the 1989 Act amendments, but omitted from the final version of Section 736, was an "almost decisive indication" that Section 736A could not be read to confirm the holding company as anything other than a holder of specified rights rather than a member of the subsidiary. If the equivalent accounting provision, Schedule 10A, was not sufficient to confirm membership, then neither was Section 736A. Without inconsistency in the contract itself so as to give rise to ambiguity, the Court was compelled to give the words their ordinary meaning, notwithstanding its serious reservations that this was not necessarily the intention of the draftsman. Enviroco has applied for permission to appeal and if that is not forthcoming, it will be up to Parliament to close the loophole. In the meantime, companies should be alive to the possibility that security terms can affect the status of companies within a group.

## Incorporation of Terms By Reference

In *Habaş Sinai ve Tibbi Gazlar Isthisal Endūstri AŞ v Sometal SAL* [2010] EWHC 29 (Comm), Mr Justice Clarke held that general words of incorporation were capable of incorporating contractual terms that included an arbitration clause, without referring specifically to it.

**BACKGROUND**

The matter before Clarke J in the High Court of England and Wales was an application by Habaş to set aside an arbitral tribunal's decision that it had jurisdiction to hear Sometal's claim for more than U.S.$5 million on account of Habaş' alleged repudiation of contract by failing to take delivery of steel scrap. The contract for the sale of the scrap was dated 9 June 2008 and typed on paper with the letter heading of Sometal's agent, Metkin. The contract contained a number of terms under the headings Material, Quantity, Price, Shipment, Discharge Rate, Payment, Final Rate and NOR Tenderence (sic) and then ended with: "all the rest will be same as our previous contracts."

There had been 14 previous contracts between the same parties. The issue on Habaş' application was whether general words such as these were capable of incorporating an arbitration clause found in previous contracts and, if they were, whether their effect was to incorporate a London arbitration clause such that Sometal's claim was to be resolved by an London Court of International Arbitration (LCIA) arbitration.

The tribunal held that the parties, by incorporating "all the rest" of the terms in "our previous contracts" in the June contract, clearly intended to refer to the additional terms to be found in the earlier, Sometal prepared contracts. The inference that the tribunal drew was that the parties intended and understood that, when Metkin referred to terms in previous contracts, it was referring to the additional terms in the fuller Sometal prepared contracts.

**COURT'S DECISION**

In *Habas*, Clarke J endorsed Langley J's distinction in *The Athena (No 2)* [2007] 1 Lloyds' Rep 280 between "two contract" cases and "single contract" cases. In the "two contract" case it might not be evident that the parties intended not only to incorporate the substantive provisions of the other contract but also provisions as to the resolution of disputes between different parties, particularly if a degree of verbal manipulation was needed for the incorporated arbitration clause to work. These considerations did not, however, apply to a single contract case.

Clarke J did not accept that *Habas* should be regarded as a "two contract" case. Whilst, literally speaking, there was more than one contract to be considered, the relevant distinction was between the incorporation of the terms of a contract made between (a) the same and (b) different parties. Accordingly, general words of incorporation were capable of incorporating terms that included an arbitration clause without referring specifically to it.

Having regard to the sequence of contracts, it was clear that the words of incorporation in the June 2008 contract were apt to incorporate the London arbitration clause. When the parties referred to "all the rest" being the same, there was no good reason to treat them as meaning all the rest except the arbitration clause.

#### COMMENT

Clarke J has brought some clarity to a potentially difficult area. In *The Federal Bulker* [1981] 1 Lloyds' Rep 103, for example, the Court of Appeal acknowledged the general principle that general words may be used to incorporate by reference standard terms to be found elsewhere, but stated that "in the present field a different, and stricter rule, has developed, especially where the incorporation of arbitration clauses is concerned". Clarke J deserves credit for clarifying where the distinction lies between cases that attract the stricter test and those to which the general principle applies: the "material distinction" lies between incorporation of terms of a contract made between on the one hand the same parties and on the other hand different parties.

# TRADE MARKS

### Assessing Similarity of Single Word and Composite Word Marks

In *Enercon GmbH v OHIM* T-472/07 the General Court (formerly the Court of First Instance) confirmed the decision of the Board of Appeal of The Office of Harmonization for the Internal Market (OHIM), upholding an opposition based on TRANSFORMERS ENERGON against the registration of the sign ENERCON.

#### BACKGROUND

Enercon GmbH applied to register the word ENERCON as a Community trade mark (CTM) for various goods in Classes 16, 18, 24, 25, 28 and 32. Hasbro Inc. opposed the registration on the basis of its earlier CTM registration of the mark TRANSFORMERS ENERGON for identical goods, claiming among other things a likelihood of confusion. The OHIM Opposition Division upheld the opposition. On appeal, the Board of Appeal confirmed the findings of the Opposition Division, first, that the goods covered by the trade marks at issue were identical, and second, that the marks were similar enough to give rise to a likelihood of confusion within the meaning of Article 8(1)(b).

Enercon applied to the General Court to annul the Appeal Board's decision, arguing that the Appeal Board had erred in shortening the earlier Community word mark to the element "energon", thus overlooking the overall impression created by that mark, in which "transformers" was the dominant element.

#### GENERAL COURT'S DECISION

The General Court rejected Enercon's application. It observed that when considering likelihood of confusion, assessment of the similarity between two marks means more than taking just one component of a composite trade mark and comparing it with another mark. On the contrary, the comparison must be made by examining each of the marks in question as a whole, which does not mean that the overall impression conveyed to the relevant public by a composite trade mark may not, in certain circumstances, be dominated by one or more of its components (see *P OHIM v Shaker* [2007] C-334/05 ECR I-4529).

However, while the "transformers" element was the first part of the earlier sign and was longer than the "energon" element, the word "energon" could not be regarded as playing only a marginal part in the overall impression produced by the mark. To the contrary, that element played a significant part in the overall impression of the earlier trade mark and consequently could not be ignored. Both elements in the earlier mark were distinctive, neither being more dominant or distinctive than the other in the overall impression created by the mark. The fact that the "energon" element might evoke the English word "energy" did not affect that assessment, since it did not make that element descriptive of the goods designated, or otherwise less distinctive with regard to those goods.

Furthermore, Enercon could not argue that the word "transformers" was the dominant element of the earlier mark because of the font and its larger size compared to that of the "energon" element in the way in which that trade mark was used. The consideration of the similarity of the marks was of those marks as a whole, as they were registered or applied for. The protection that resulted from registration of a word mark concerned the word mentioned in the application for registration and not the specific graphic or stylistic elements accompanying that mark (see, for example, *Faber Chimica v OHIM* [2005] T-211/03_ECR II-1297). It was therefore not appropriate to take into account, for the purposes of the consideration of the similarity between the marks, the font and size in which the "transformers" element of the earlier word sign might be presented.

Thus, as far as visual similarity was concerned, the Appeal Board did not disregard the overall impression produced by the earlier mark when it held that, taking into account the high degree of similarity between the "energon" element of the earlier mark and the single element "enercon" of the mark applied for, there was a certain degree of visual similarity between the marks.

As regards phonetic similarity, the Board was also fully entitled to find that the marks resembled each other and it could not be criticised for having concentrated exclusively on the single element "enercon" of the mark applied for and the "energon" element of the earlier mark, since it accepted expressly that the opposing signs were similar, considered as a whole.

Finally, the Court dismissed Enercon's submission that the fact that the first syllable of the words "enercon" and "energon" was identical was not sufficient to identify conceptual similarity. The Board found a low degree of conceptual similarity because, in its view, the words "enercon" and "energon" would probably be perceived as evoking or related to the notion of energy, not on the basis that the first syllable of both those words was identical.

**COMMENT**

The grounds upon which Enercon's argued that "transformers" was the dominant element in Hasbro's mark (*i.e.,* that it came first and was larger) were undermined by the fact that "energon" is a made up word and stylistic considerations are irrelevant to an assessment of similarity between simple word marks. In that sense the decision is an object lesson in how to assess the similarity of single word and composite word marks based on the overall impression given by the marks taking into account the dominant elements, or in this case the lack of them.

## Conceptual Differences Between Marks

In *G-Star Raw Denim kft v The Office of Harmonization for the Internal Market* T-309/08, the General Court (formerly the Court of First Instance) held that Article 8(5) of the Community Trade Mark Regulation (40/94/EC) did not apply to prevent registration of the figurative mark G STOR, because the visual and conceptual differences between it and the earlier G-STAR marks prevented the establishment of any link between them.

**BACKGROUND**

In December 2004, ESGW Holdings Ltd, applied to register the following figurative Community trade mark (CTM) in Class 9 for "data processing equipment and computers":


The clothing company G-Star Raw Denim kft opposed the application on the basis of its earlier registered word marks for G-STAR and also on the following figurative CTM in Classes 9 and 25:


The Opposition Division of The Office of Harmonization for the Internal Market (OHIM) allowed the opposition on the basis of Article 8(5). On appeal, OHIM's First Board of Appeal overturned that decision and rejected the opposition, finding as regards Article 8(5), first that the visual and conceptual differences between the marks at issue prevented any assumption of a possible connection between them; and secondly, that G-Star Raw Denim had not submitted evidence to suggest that the use of the mark applied for would take unfair advantage of, or be detrimental to, the repute or the distinctive character of their earlier marks.

G-Star appealed to the General Court stating that the marks were at least aurally similar and that the Board of Appeal should have placed more importance on the G STOR element of the mark in question rather than solely regarding the figurative element.

**DECISION**

The General Court noted that the conditions of Article 8(5) are cumulative so, if one of them is not satisfied, the provision is inapplicable as a whole.

Visually speaking, since the mark applied for was a figurative mark, the Court held that the relevant pubic would be drawn principally to the distinctive and original figurative elements of the mark, most notably the element at the beginning of the mark, which represented a Chinese dragon's head. Therefore, figurative element of the mark applied for ensured a different overall impression between the marks in question.

As regards the aural comparison, the Court agreed with the Board of Appeal that, as the marks had several letters in common, set out in the same order, they were indeed aurally similar.

As for the conceptual comparison, the Court took into account the word elements STAR of the earlier marks and STOR of the mark applied for. It concluded that the word STAR was widely understood in the Community, whereas the word STOR was most likely to be meaningless to the majority of the relevant public.

Since the Court had found that the marks at issue were neither identical nor similar, there was no need to examine whether the use without due cause of the trade mark applied for could take unfair advantage of, or be detrimental to, the distinctive character or repute of G-Star's earlier marks.

G-Star's action was therefore dismissed and the figurative G STOR mark was allowed to proceed to registration.

#### COMMENT

The decision demonstrates clearly the importance the Court places on the overall impression of the marks in question. Here, the fact that the G STOR mark was heavily stylised was the main reason that the Court considered the marks to create different overall impressions and to be sufficiently different from each other visually, aurally and conceptually.

### Likelihood of Confusion: Coexistence of Earlier Marks

In *Nokia OYJ v The Office of Harmonization for the Internal Market* T-460/07, the General Court (formerly the Court of First Instance) held that there exists a likelihood of confusion between the word mark LIFE, registered for goods and services in Classes 9, 38 and 41, and Nokia's word mark LIFE BLOG, applied for in respect of various goods and services in the same Classes. The Court found that the overall impression made by the marks was liable to give rise to a similarity sufficient to cause a likelihood of confusion.

#### BACKGROUND

In January 2004, Nokia applied to register the word mark LIFE BLOG as a Community trade mark (CTM) in Classes 9, 38, and 41. Medion AG, opposed the application on the basis of its earlier German registration for LIFE in various Classes, including those Nokia had applied for, and that there was a likelihood of confusion between Medion's Mark and Nokia's application.

The Opposition Division found that there was a likelihood of confusion. The Second Board of Appeal upheld that decision and Nokia appealed to the General Court.

#### DECISION

Two marks are considered similar where, from the point of view of the relevant public, the marks are, at least in part, identical as regards one or more relevant aspects (see *Matratzen Concord v The Office of Harmonization for the Internal Market—Hukla Germany* (MATRATZEN) [2002] T-6/01 ECR II-4335). The Court therefore undertook a global assessment of the visual, aural and conceptual similarities of the marks.

Although LIFE BLOG contained two words, this was counteracted by LIFE being common to both marks. Lack of stylisation also meant visual confusion. Aurally, reproduction of the word LIFE meant a degree of similarity.

Although the word LIFE is English, it was a common word easily understood by the average German-speaking public. The word BLOG did not overcome reference to the concept of life common to both marks. Even if it did, it was not considered sufficient to neutralise the visual and aural similarities. Therefore, a degree of conceptual similarity existed between the two marks.

#### LIKELIHOOD OF CONFUSION

Neither LIFE nor BLOG was particularly dominant.

In respect of the goods and services to which the marks were applied, LIFE was distinctive in both cases. BLOG (in Nokia's LIFE BLOG mark) had limited distinctive character when applied to IT or telecommunications, as it was commonly understood as referring to an online diary.

Regarding other goods or services, neither LIFE nor BLOG was more or less distinctive than the other.

While the coexistence of earlier marks can reduce the likelihood of confusion, Nokia had not demonstrated (during the initial proceedings before The Office of Harmonization for the Internal Market) that such coexistence was based on the absence of confusion between Medion's LIFE mark and other identical marks already in use on the market.

The Court decided that the LIFE element of Nokia's application retained an independent distinctive role. The Court, therefore, rejected Nokia's application in its entirety.

#### COMMENT

There are many marks for LIFE on the Community register. Nokia's failure to adduce evidence of a lack of confusion mark may well be due to the fact that it would be extremely difficult to prove. Given the Court's other findings on similarity and likelihood of confusion, it is unlikely that such evidence would have changed the outcome. The decision is another reminder that for marks that are composed of common words, it is better to stylise them, even where they are not descriptive of the goods or services in question.

## PASSING OFF

### "Extended Passing Off"

In *Diageo North America Inc v Intercontinental Brands (ICB) Ltd* [2010] EWHC 17 (Ch), Mr Justice Arnold held that "vodka" is a term that is capable of distinguishing a particular class and quality of product. In branding a vodka-blend as "VODKAT" and marketing it in a manner that did not make clear to the public that this was not vodka, the judge held Intercontinental Brands (ICB) Ltd was liable for passing off.

**BACKGROUND**

Diageo owns the SMIRNOFF brand, which has been marketed in the United Kingdom since the 1950s and is the United Kingdom's best-selling vodka brand.

ICB markets a clear, almost tasteless alcoholic drink under the name VODKAT. VODKAT is not a vodka and Diageo's claim against ICB was to prevent it from applying the name VODKAT to its non-vodka beverage.

**EXTENDED PASSING OFF**

The applicable law is known as "extended" passing off and the line of cases to which this dispute belongs began in 1960, when Danckwerts J in *Bollinger v Costa Brava Wine Co Ltd* [1961] 1 WLR 277 held that the word "champagne" meant sparkling wine produced in the Champagne region and that the phrase "Spanish champagne" in relation to Spanish sparkling wine was likely to mislead people into believing that the Spanish wine was, in fact, champagne.

In Erven Warnink BV v Townend & Sons Ltd [1979] AC 731, the House of Lords approved the earlier case law and its extension beyond descriptions with a geographical element to protect ADVOCAAT. In the Advocaat case, Lord Diplock held that where a class of members was severally entitled to the goodwill that attached to a term, the larger the class, the broader must be the range and quality of products to which it had been applied and the harder it would be to show that it denoted a product with recognisable qualities that distinguished it from competing products of inferior quality. Since 1989, the nature of vodka has been regulated by European legislation, currently Regulation 110/08/EC. The Regulation provides that vodka must inter alia comprise at least 37.5 per cent alcohol by volume (ABV).

VODKAT is a mixture of vodka and neutral fermented alcohol made from orange juice, which has an ABV of 22 per cent VODKAT was launched in April 2005, and was marketed in the bottle on the left below. Minor labelling changes were made by ICB after pressure from Trading Standards, the Department for Environment, Food and Rural Affairs, and the Gin and Vodka Association. Three months before trial, ICB materially changed the packaging of Vodkat to that in the second photograph.

Annex I


Annex II


The dispute did not come to trial until December 2009, by which time VODKAT had been on the market for over four years and sold 13 million bottles. It was agreed that the delay was important because if confusion were likely, one would expect to see actual confusion over such a protracted period of time.

**DECISION**

The judge held that the evidence clearly established that vodka had passed the "Advocaat test" of acquiring a reputation as a "drink with recognisable qualities of appearance, taste, strength and satisfaction".

Arnold J held that the name VODKAT plainly suggested that the product was either vodka or contained vodka and that VODKAT was not described in a clear and comprehendible way, thereby failing to educate the public as to what it was.

Arnold J held that the marketing of VODKAT was calculated to deceive a substantial number of members of the public into believing that the product was vodka and that an additional section of the public was likely to have been deceived into believing that it was a weaker version of vodka. Arnold J also held that ICB took insufficient care to neutralise the risk of confusion.

Arnold J accepted Diageo's evidence that it had lost sales of Smirnoff to VODKAT and that, even discounting the majority of these as being due merely to competition from a cheaper product, he was satisfied that there would have been at least some sales lost due to confusion. He also accepted that, even if there had been no loss of sales to Diageo, there was damage to Diageo because ICB's marketing of the VODKAT brand was likely to erode the distinctiveness of the term "vodka," since "vodka" would cease to be a term reserved for 37.5 per cent alcoholic strength by volume spirit and would come to be seen as a term applicable to lower strength products which include fermented alcohol.

# PATENTS

## Parallel Proceedings: Application to Stay and Identity of Parties

In *Mölnlycke Health Care AB v BSN Medical Ltd* [2009] EWHC 3370, Mr Justice Floyd rejected an application by BSN Medical Ltd to stay proceedings brought by Mölnlycke Health Care AB (MAB) and its exclusive United Kingdom licensee, Mölnlycke Health Care Ltd (MUK), to await a determination of co-pending proceedings in the Stockholm District Court. The judge held that the interests of a licensor and licensee were different sufficiently for them not to qualify as identical parties for the purposes of Article 27(1) of the Brussels Regulation (44/01/EC).

Floyd J held that, following *The Tatry* [1999] QB 515, it was clear that in order for Article 27 of the Brussels Regulation to apply, there must be identity of parties and of cause of action. In *The Tatry*, it was held that identity was not destroyed by the mere fact of there being separate legal entities, but that the issue of whether parties were identical might depend on whether there was such a degree of identity between the interests of the entities that a judgment given against one of them would have the force of *res judicata* as against the other.

Whilst noting that "on a rather high level" the interests of the Mölnlycke parties in the two actions were identical and indissociable, *i.e.,* they shared an interest in preventing the infringement of the UK rights, Floyd J accepted the submissions of MUK that MUK had, by the acquisition of its exclusive licence, acquired the right to protect its UK business from damage. Further, there was no counterclaim for infringement in Sweden and no mechanism for an additional party to counterclaim, since a counterclaim was only allowed if it were "arising from the same contract or facts on which the original claim was based". Treating MUK as the same party as MAB would deprive MUK of a right to damages that was distinct from any possessed by MAB.

Floyd J also refused the application by MAB and MUK for an interim injunction on the normal "*Cyanamid* principles". He held that there was a serious issue to be tried and that the balance of convenience was distributed fairly evenly between the parties. However, Mölnlycke had compelling evidence in April 2009 of BSN's plans to launch its product in September 2009. In Floyd's view, to delay commencement of proceedings until the actual launch was not the behaviour of parties who need urgent protection against infringement.

## GSM Recommendations: Obviousness

In *Nokia GmbH v IPCom GmbH & Co KG; IPCom GmbH v Nokia UK Ltd* [2009] EWHC 3482 (Pat), Mr Justice Floyd considered the prior art and common general knowledge of skilled persons in the field of developing mobile phones for the use in the global system for mobile communications (GSM). The judge concluded that the patents were invalid for obviousness in light of the GSM recommendations. However, had they been valid, Nokia would have infringed the patents.

### BACKGROUND

These proceedings concerned two patents registered in the name of IPCom GmbH & Co KG (IPCom). When licensing negotiations between Nokia and IPCom broke down, IPCom sued Nokia for infringement of both patents. Nokia responded by commencing revocation actions in the United Kingdom against 15 of IPCom's patents, two of which are the subject of the judgment and relate to cellular mobile phone technology.

The first patent (the 808 patent) was concerned with the way in which the mobile phone synchronises itself with the transmissions it receives from the base station. The second patent (the 189 patent) was concerned with management of the right of the mobile phone to connect to the network. Both patents were addressed to an engineer or team of engineers who are concerned with developing mobile phones for use in the GSM, and in particular, the functionality required to cause the mobile phones to synchronize to the network.

### VALIDITY OF THE 808 PATENT

**Obviousness**

Applying the four-step test of the Court of Appeal decision in Pozzoli v BDMO [2007] EWCA Civ 588, Floyd J stated that it was convenient to consider the disclosure of the GSM recommendations and then see how far the skilled team would be carried if it was seeking to implement the GSM with its common knowledge. He came to the conclusion that everything in the claims, with the exception of data pre-processing, would be obvious to the skilled person seeking to implement the recommendations.

As there was nothing in the GSM about data pre-processing, Floyd J dealt with this separately. He found that the data pre-processing as claimed was also an obvious step to take, in light of what was obvious in the GSM, together with the common general knowledge that related to data pre-processing.

#### VALIDITY OF THE 189 PATENT

Floyd J decided that the specifications in the 189 patent must be read in light of the GSM recommendation 04.08, which is part of the description of the General Packet Radio Service (GPRS).

Floyd J held that Claim 1 of the 189 patent lacked novelty over the GPRS and that Claim 2, which was a method according to Claim 1, was also anticipated by the GPRS. Overall, there was a lack of inventive step over the GPRS and Floyd J stated that in fact, the GPRS could do more.

#### INFRINGEMENT

Floyd J held that had the 808 Patent and 189 Patent been valid, they would both have been infringed by Nokia.

#### COMMENT

The obviousness attack in this case was based on the premise that the skilled team would combine relevant extracts from the GSM recommendations if it was designing a synchronisation scheme for the GSM. The judge accepted that the recommendations are very extensive documents and no skilled team could be expected to have or keep even a tiny fraction of their contents in its collective head, although they would know where to find the information which was readily available.

## DOMAIN NAMES

### Transfer of Over 1500 Domain Names

In *Inter-Continental Hotels Corporation, Six Continents Hotels v Daniel Kirchhof* D2009-1661 WIPO, a Uniform Domain-Name Dispute-Resolution Policy (UDRP) panellist ordered the transfer of over 1500 domain names from an individual registrant, to Six Continents.

#### BACKGROUND

The Complainants, Inter-Continental Hotels Corporation and Six Continents Hotels, were members of an international organisation called IHG which manages and operates hotels in Africa, the Americas, Australasia, China, Europe and the Middle East on a franchised basis. IHG operates under seven brands: InterContinental, Crowne Plaza, Holiday Inn, Holiday Inn Express, Candlewood Suites, Staybridge Suites and Hotel Indigo. The Complainants each owned trade marks relating to these brands around the world and requested that, if successful in their domain name complaint, the disputed domains should be transferred to Six Continents.

Daniel Kirchhof, from Leipzig was the registrant of approximately 70,000 domain names. Between December 2008 and July 2009, he registered 1529 domain names relating to IHG's hotel brands, with most of them being registered between 17 and 21 July 2009. The format of the disputed domains typically linked the name of a hotel brand with a city or location with hyphens between words, *e.g.,* crowne-plaza-amsterdam.com.

The websites to which the domains resolved had the name of the hotel, an image of five stars and tabs for Homepage, Hotel Offers, Hotel Pictures, and Surrounding Pictures. There was a disclaimer on the Hotel Pictures page stating that the pictures were the responsibility of the hotel chain or property and not the website owners. There were links to reservations websites, which allowed customers to book hotels (including, but not exclusively, IHG hotels), and advertisements, generated by Google tools, most of which were for hotels that were in competition with IHG, such as the Marriott Group.

The Complainants contended that Daniel Kirchhof was not licensed to use its trade marks and that it had never used or made preparations to use the domain names in connection with a *bona fide* offering of goods or services. Rather, Kirchhof was using the domains in relation to websites that falsely appeared to be associated with IHG, but which then presented customers with advertisements for competing hotels. Daniel Kirchhof did not respond to the complaint.

#### DECISION

Following *Fulham Football Club (1987) Ltd* D2009-0331 WIPO, the UDRP panel held that it had jurisdiction to determine a domain name complaint made by multiple complainants. The panel held that there was a common grievance and, despite the large and unprecedented number of disputed domain names, it would be procedurally efficient to deal with all of them in one set of proceedings, given the highly similar facts of the complaints.

Since Daniel Kirchhof did not respond to the complaint, it was only necessary for the Complainants to make a *prima facie* case under each heading of the UDRP.

The panel divided the disputed domain names into four categories to determine whether or not they were confusingly similar to the Complainants' trade marks. The categories were

- Domain names that contained one of the Complainants' trade marks in its entirety combined with a geographic term.
- Domain names that contained one of the Complainants' trade marks in its entirety combined with a descriptive term.
- Domain names that commenced with part of one of the Complainants' trade marks in combination with a geographic or generic term.

- Domain names that did not contain any of the Complainants' trade marks (such as atlantic-holiday-centre.com or camping-jungrau-holiday-park.com).

The panel held that the first two categories of domain name were confusingly similar to the Complainants' marks, following a number of domain name complaints, including *Chanel Inc v Estco Technology* D2000-0413 WIPO, in which it was held to be usual for a domain that incorporated a complainant's mark in its entirety to be confusingly similar to that mark, despite the addition of other words. Similarly, following *Accor v Lee Dong Youn* D2008-0705 WIPO, a domain name consisting of a trade mark plus a geographic term was confusingly similar to the trade mark.

Considering the third category, the panel noted that the abbreviations of the Complainants' marks were typically "indigo", "Holiday-exp", "holiday" or "holiday-suites". It held that although "indigo" was a dictionary term, it was not commonly used in industry and was a distinctive part of the Complainants' HOTEL INDIGO marks. Accordingly, the domains commencing with "indigo" were confusingly similar to the Complainants' marks.

Although the Complainants gave no evidence that they used the abbreviated form "holiday-exp", the panel held that "exp" was a common abbreviation for "express" and that "holiday-exp" was confusingly similar to the Complainants' marks. The panel held that the prefix "holiday-suites" was confusingly similar to the Complainants' HOLIDAY INN and HOLIDAY INN EXPRESS marks due to the Complainants' use of the word "suite" in conjunction with their trade marks, resulting in a likelihood that the combination of words would be associated with the Complainants.

Whilst noting that the words "holiday" and "hotel" were, on their own, generic and widely used terms, the panel held that in the unusual circumstances of this dispute it was prepared to find confusing similarity, taking into account the fact that HOLIDAY INN and HOLIDAY INN EXPRESS had been registered for many years, that the use of "holiday" or "hotel" at the beginning of the disputed domain names drew attention to that component of the disputed domain name and was also the first word of the Complainants' marks, and that the word "holiday" or "hotel" was used in connection with a location of an IHG hotel.

The panel concluded that the 10 domain names in the fourth category were not confusingly similar to the Complainants' trade marks. Although some of the domain names contained the word "holiday", these domains differed from those in the third category, because it was not the first word in the domain.

The panel had no difficulty in deciding that Daniel Kirchhof had no rights or legitimate interest in the names and that he had registered and used the domains in bad faith. Accordingly, Daniel Kirchhof was ordered to transfer 1,519 domain names to Six Continents.

**COMMENT**

The result of this case is unsurprising and it is interesting mainly because it relates to multiple Complainants and a large number of domain names. The panel described this as

*…a text book example of the type of bulk registration strategy to which UDRP process and jurisprudence is having to adapt in order to keep pace with the broader developments and registration trends within the domain name system.*

It is worth noting that, although Daniel Kirchhof had not been the recipient of any previous complaints under the UDRP, the sheer number of domain names in this complaint was grounds for presuming bad faith under Paragraph 4(b)(ii) of the UDRP, which deals with respondents engaged in a pattern of registering domain names in order to block the legitimate rights-owner from registering them.

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