McDermott Will & Emery

European IP Bulletin

The Intellectual Property, Media & Technology Department

Issue 72, July 2010

PATENTS

UK Patent Office Decision: Ignorance Not a Valid Defence in “Unintentional” Failure to File

John Crilly filed an application for a patent under the Patent Cooperation Treaty (PCT) on 28 August 2009. He claimed priority from four earlier British applications, one of which was filed in the name of a third party and dated 11 July 2008 (termed P1). P1 was the subject of proceedings (BL O-182-10) before the Patent Office, in which Mr Crilly challenged the entitlement of the Applicant.

P1 was transferred to Mr Crilly on 11 August 2009, just before he filed the PCT application.

Mr Crilly was out of time to claim priority from P1, so he filed an application under PCT Rule 26bis 3, which was refused. The Office took the view that Mr Crilly would have been aware of the filing date of P1 and should have known that the deadline for claiming priority from it was 11 July 2009: the failure to file the application before this date was not therefore unintentional.

The hearing officer found no evidence to suggest that, before the resolution of the entitlement dispute over P1, Mr Crilly had any intention of filing a PCT application by the deadline of 11 July 2009. It was only after the conclusion of the entitlement dispute that Mr Crilly became aware of the need to have filed a PCT application by this deadline.

The hearing officer held that it was clear that neither Mr Crilly nor his patent attorney appreciated the impact that a successful outcome of the entitlement proceedings would have on Mr Crilly's ability to claim priority from P1 and that they were therefore unaware of the 11 July deadline. Further, in the absence of an entry into the diary system of Mr Crilly’s patent attorney, no automatic reminders of the 11 July date would be generated.

It followed that Mr Crilly did not consider the possibility of filing a PCT application claiming priority from P1 until after its priority year had expired, despite his knowledge that P1 may have related to his invention. The hearing officer could find nothing to suggest that Mr Crilly had any intention of filing a PCT application within the relevant period. Further, he held that Mr Crilly's failure to appreciate the consequences of a successful outcome of the entitlement proceedings led him to delay taking action until after those proceedings were concluded, and this amounted to a positive decision to take no further action until after the proceedings were finalised. He held that this meant that it could not be said that the failure to file a PCT application within the relevant period was unintentional and that the application to restore the right of priority should be refused.

Nampak Cartons Ltd v *Rapid Action Packaging Ltd*: “Pozzoli” Test and a Measure of Flexibility

In *Nampak Cartons Ltd v Rapid Action Packaging Ltd* [2010] EWHC 1458 (Pat), Mr Justice Floyd concluded that the attack on inventiveness by Nampak Cartons Ltd could only be sustained with the benefit of hindsight and that a failure to adhere rigidly to the structured test in *Pozzoli SPA v BDMO SA* [2007] EWCA Civ 588 was not necessarily an error of principle by the hearing officer.

BACKGROUND

Rapid Action Packaging Ltd was the proprietor of a patent for a sandwich carton in which the lid could be bonded to an out-turned flange by heat sealing. During prosecution, the patent was narrowed to cover only cartons that had been adapted by what is known in the trade as "concora cuts" in the flange, such that when they are opened, the flange delaminates, leaving part of the flange material bonded to the lid.

Nampak Cartons Ltd applied for revocation of the patent for obviousness. During cross examination before the hearing officer, expert evidence was given on behalf of Rapid Action by a Mr Clough. Nampak's counsel led Mr Clough through a series of questions to a point where he agreed that putting the concora cuts in the flanges, as opposed to the lid, "sounded like a sensible approach". He later returned to his original view that, at the priority date, there would have been considerable prejudice against "interfering" with the flanges and that he himself would have avoided them.

Applying the “Pozzoli” test, the hearing officer concluded that the inventive concept in Claim 1 was a cardboard sandwich carton with dual parallel lines of partial cut along the flanges, one being at the junction between the flange and the wall adjacent the inside of the flange so that the flanges could be split to allow the lid to be opened.

The hearing officer stated that, in view of Mr Clough's admission that putting the concora cuts in the flange was "a sensible approach", he had attempted to draft his decision in Nampak's favour. However, on re-reading his decision, he was not able to accept the reasoning that putting the concora cuts in the flange was an alternative that the skilled person would consider. He concluded that some of the things that Mr Clough agreed with in cross examination were, in the words of Moulton LJ in *British Westinghouse v Braulik* (1910) RPC 209, "arrived at by starting from something known, and taking a series of apparently easy steps". Accordingly, he dismissed Nampak's attack on the patent.

Nampak appealed to the High Court of England and Wales on the grounds that the hearing officer had failed to have regard to Nampak's expert evidence, had failed to construe the teachings of the *Spiral Packs* prior art and had failed to deal with obviousness in the light of the common general knowledge.

DECISION

Mr Justice Floyd rejected Nampak's submission that the hearing officer had failed to consider the expert evidence and had instead substituted his own conclusions on obviousness, evidenced by his statement that "the fundamental difference of opinion between the experts meant that their evidence was not directly helpful". Floyd J further concluded that the decision could only be read as Nampak suggested if one took the matters mentioned specifically by the hearing officer (skilled addressee and common general knowledge) as being an exhaustive list of the matters on which he found the opinions of the experts helpful. But this was plainly not the case, as other passages in the decision made clear. In particular, the hearing officer relied extensively on the patentee's expert's view that one would not weaken the flanges by placing the concora cuts on them.

Rejecting Nampak's submission that the hearing officer had failed to apply the structured approach set out in *Pozzoli,* Floyd J held that, whilst the structured approach was of assistance to judges in the analysis of evidence, not every slip in its application opened the decision to attack based on error of principle.

Floyd J held that the hearing officer's error, if there was one, was failing to spell out the fact that the flanges were sealed all round to the lid. There was no dispute, as a matter of construction, that this is what the claims required. The hearing officer was correct: he could not "cherry pick" individual features from items of prior art without considering the whole of the disclosure. Two pieces of prior art, *Rigby* and *Meyers*, did not contain any disclosure as to how one would arrange a carton to be sealed by concora cuts all round the lid. Each of them therefore had to introduce some special means of opening. A further step in the reasoning process was therefore whether the methods used in *Rigby* and *Meyers* could be used when the seal went all round. To the extent that he needed to, the hearing officer was entitled to reinforce his decision on obviousness by reference to this feature of the claim. His failure to spell out the fact that the flanges were sealed all round was irrelevant.

Intellectual Property Office Practice Notice on Second Medical Use Claims: "Swiss-type" Claims Objectionable

Until recently, the only acceptable form of wording for patent claims in respect of a second medical use for a known compound was the so-called "Swiss-type" claim. This followed the format "the use of substance X for the manufacture of a medicament to treat disease Y".

Pharmaceutical companies that invented a new drug could apply for a patent for the chemical compound itself. The problem arose when, later on, either the original company, or a third party company, would discover that the same compound could be used to treat a second medical condition. If the discovery was made by the original company, it might be near the end of the life of the patent, or even after its expiry and the company could not rely upon monopoly protection to recoup its investment in research and development for the new use of the drug. Equally, if the discovery was made by a separate company, it had no way of protecting its invention, since the base compound had already been patented and the EPC prevented the patenting of methods of treatment.

The rather artificial form of wording of the Swiss-type claim was devised to circumvent the provision. It was a controversial fix, as it was considered by many to be misleading, since the claimed invention had nothing to do with the manufacture of the drug itself, but sought to protect the use to which the drug was put.

On 13 December 2007, the Patents Act 2004 implemented the provisions of the revised European Patent Convention (EPC 2000) allowing a simpler form of claim for a second medical use of a known compound, in the form "substance X for use in the treatment of disease Y".

The European Patent Office (EPO) Enlarged Board of Appeal concluded in *Dosage Regime/Abbott Respiratory* G 02/08 that the EPO should no longer accept Swiss-type claims as they lacked clarity.

As a result, On 26 May 2010 the UK Intellectual Property Office issued a Practice Notice on second medical use claims, stating that it will no longer accept "Swiss-type" claims for pharmaceutical products.

EFFECTS OF THIS CHANGE

The IPO has announced that, with immediate effect, it will object to Swiss-type claims as lacking clarity. It will permit amendment of patent applications to replace Swiss-type claims with the new form, as it has determined that the technical disclosure of the new medical use for a known compound will be the same, regardless of which form of wording is used for the claim.

Granted patents will be unaffected by this change in examination practice and the IPO has indicated that any application to amend a patent post-grant is unlikely to succeed, as the Enlarged Board of Appeal indicated in *Dosage regime/Abbott Respiratory* that the new form of claim may have a broader scope.

DESIGNS

Victor Ifejika v Charles Ifejika: Equitable Assignment of Design

BACKGROUND

Brothers Victor and Charles Ifejika set up a business called CCL Vision Ltd. CCL was the original proprietor of a registered design for a contact lens cleaning device, which was the subject of the dispute. The design was later assigned to Victor. The dispute, *Victor Ifejika v Charles Ifejika* [2010] EWCA 59 Civ 563, is the result of the manufacture and sale by Charles of allegedly infringing devices.

Suing his brother for infringement, Victor claimed that he had commissioned the design and was therefore the owner as he had never assigned the rights to CCL. CCL was the proprietor of the registered design as a matter of expediency, since it was intended that the company would exploit the design, and it held it on trust for Victor.

Charles argued that *he* had commissioned the design and sought summary judgment on the basis that the registered design was invalid and that the entire action was an abuse of process, arguing that at the time of the alleged infringement, CCL had been dissolved.

FIRST INSTANCE

HHJ Fysh proceeded on the basis that Victor had commissioned the design and was therefore the original proprietor, but noted that there was no evidence of any written assignment of the design to CCL. On this basis, he concluded that the registration of the design by CCL was invalid and the subsequent assignment to Victor could not therefore be effective. Summary judgment was granted in favour of Charles; Victor appealed.

APPEAL

Lord Justice Patten concluded that HHJ Fysh was wrong to cancel the registration for lack of a written assignment. Patten LJ held that design rights, like any other chose in action could be assigned either at law or in equity, as was recognised by the provisions of Section 2(2) of the Registered Designs Act. Although a written assignment was the usual method of transmission, Section 2(2) imposed no requirements as to the form that any assignment or transmission of the right should take, and the general rules relating to equitable assignments were applicable.

Patten LJ held that it was common ground that CCL was intended to be used to exploit the design. This involved it becoming the registered proprietor. It did not matter whether the design was to be held on trust for Victor. If Victor was able, as he alleged, to establish that the design was intended to be transferred to CCL, the evidence of that intention, coupled with registration of the design in CCL's name, was likely to be sufficient to create an equitable assignment of the design rights to CCL.

Even if Charles was right and the circumstances leading up to the registration of CCL as proprietor of the design were not effective to create an equitable assignment of the design rights to the company, the only consequence of that would have been that Victor, as the original proprietor, would have remained the legal owner of the design rights. He could establish a title to those rights as original proprietor, regardless of whether they were effectively assigned to CCL and then back again and the register, as it now stood, would be correct. Therefore, if Victor could establish that he commissioned the relevant drawings and was the original proprietor of the design, he could answer Charles' challenge to his title.

Patten LJ therefore held that HHJ Fysh had been incorrect to grant summary judgment to Charles and he upheld Victor's appeal accordingly.

Crocs Inc v Holey Soles Holdings Ltd: Individual Character and Novelty

In *Crocs Inc v Holey Soles Holdings Ltd* R 9/2008-3 Third Board of Appeal, the Third Board of Appeal of The Office of Harmonization for the Internal Market has dismissed an appeal by Crocs Inc against the Cancellation Division's decision that a Crocs' Community design was invalid. The Board found that design lacked individual character and novelty.

BACKGROUND

Holey Soles Holdings Ltd sought a declaration of invalidity on the grounds of individual character and that the design lacked novelty, as it had been disclosed at an exhibition and online and sold before commencement of the applicable grace period. Holey Soles also argued that the heel strap of the design was functional and therefore could not be the subject of exclusive rights.

The Cancellation Division declared the design invalid on the grounds that it lacked individual character when compared to two previous designs (which had appeared on Crocs' own website). Crocs appealed, arguing that the previous designs could not reasonably have become known to the relevant circles as required by Article 7(1) of the Regulation.

DECISION

The Board decided that Crocs' arguments that its disclosures could not reasonably have become known to the specialised circles in the sector were unpersuasive. The disclosures had been carried out over a period of time and were "precisely the sort of activities that may become known 'in the course of business' to anybody active in the same field". Each of the three disclosures (the sales, the exhibition and online) destroyed the novelty of the design. With regard to sales, the Board stated that the correct test was whether the sales could reasonably have become known to the relevant circles in the Community, not the volume of sales as suggesed by Crocs.

The Board found that the addition of the strap was not sufficient to give the clog individual character. The strap did not alter the overall impression made on the informed user; the fact that it could be rolled forward constituted evidence that it was purely functional.

THIRD PARTY INFRINGER

Partenaire Hospitalier International (PHI), a French company that imported clogs from China, had requested permission to be joined to the proceedings under Article 54 of the Regulation as Crocs had arranged for French Customs to seize its PHI's clogs. Crocs argued that Customs seizure measures did not constitute "proceedings for infringement". The Board stated that Article 54 does not say that "proceedings for infringement" must be judicial in nature, so included Customs seizure measures.

TRADE MARKS

UK Intellectual Property Office Practice Amendment Notice Applying the ECJ Ruling in *American Clothing*

The UK Intellectual Property Office (IPO) has issued Practice Amendment Notice (PAN 01/10) on trade mark applications for protected symbols, setting out how it will assess applications to register marks that incorporate or resemble national symbols, protected under Article 6*ter* of the Paris Convention. The practice has been updated in light of the decision of the European Court of Justice in Joined Cases C-202/09 and C-208/08 *American Clothing NV v The Office of Harmonization for the Internal Market.*

BACKGROUND

American Clothing concerned an application for a trade mark in respect of goods that incorporated the maple leaf of Canada's national flag, a protected emblem under Article 6*ter* of the Paris Convention. The case reached the European Court of Justice (ECJ).

The ECJ rejected American Clothing's argument that the refusal to register a State emblem as a trade mark could only be justified where the use of that trade mark was liable to compromise the symbols of the identity and sovereignty of the relevant state. The ECJ held that emblems differ from trade marks in several material aspects:

They are not limited to a specified set of goods and/or services.

- The duration of their protection is unlimited and their proprietor cannot be deprived of the right in them.
- There was no need to establish whether or not there was a likelihood of confusion. Article 6*ter* does not require a likelihood of confusion. Further, unlike the protection for emblems of international organisations, which requires a connection in the mind of the public between the trade mark for which registration is sought and the organisation, protection for a State emblem is not subject to there being any such connection.
- Protection under 6*ter* as an emblem extended beyond the use of that emblem as a trade mark to include use as an element of a trade mark. Protection was broad enough to catch imitations of emblems as well as exact replicas of them.

The ECJ noted the wording in Article 6*ter*, which prohibited the use of a State emblem, or "any imitation from a heraldic point of view". Accordingly, assessment of an imitation of an emblem must be made from the point of view of "heraldic" and not "geometric" similarity. However, the Court noted that a difference that would be detected by a specialist in heraldic art would not necessarily be noticed by the average consumer who would nonetheless perceive the sign as an imitation of the emblem. A heraldic description of an emblem within the meaning of Article 6*ter* normally only contained descriptive elements and did not necessarily concern itself with particular features or artistic interpretation. It was therefore possible for a number of artistic interpretations of one and the same emblem on the basis of the same heraldic description.

APPLICATION TO UK LAW

National emblems are covered by Section 57 of the Trade Marks Act 1994 (as amended), specifically Sections 57 (2) and (4), which provide that

(2) A trade mark which consists of or contains the armorial bearings or any other state emblem of a Convention country which is protected under the Paris Convention or the WTO agreement shall not be registered without the authorisation of the competent authorities of that country...

(4) The provisions of this section as to national flags and other state emblems, and official signs or hallmarks, apply equally to anything which from a heraldic point of view imitates any such flag or other emblem, or sign or hallmark.

The IPO has interpreted the ECJ's ruling on the phrase "from a heraldic point of view" to mean that the heraldic description of the sign in question is relevant, but that the actual comparison is made against how the symbol would normally be reproduced and detailed heraldic knowledge and interpretation of the heraldic description would not be required.

The relevant test is "whether the average consumer considers that the symbol in the mark is a national emblem or imitation, from a heraldic point of view, of the protected sign". The guidance explains that the overall impression of the mark or the prominence of the protected emblem within the mark is irrelevant: any mark containing a protected national symbol will be refused.

PASSING OFF

Numatic International Ltd v *Qualtex UK Ltd*: Pyrrhic Victory for HENRY?

In *Numatic International Ltd v Qualtex UK Ltd* [2010] EWHC 1237 (Ch), the High Court of England and Wales has held that the threat by Numatic to market and sell a vacuum cleaner in the shape of a tub, with a domed black lid, amounted to passing off in the sense that the consumer would be deceived into thinking that the product was one of the well known HENRY vacuum cleaners.

BACKGROUND

The HENRY is one of a range of vacuum cleaners produced by Numatic. These have different colours and different names, but share the common features of being a tub shaped construction with a domed black lid (resembling a bowler hat), beneath which is printed a smiling face. The HENRY is the best known and the highest selling in the United Kingdom of their range.

The commercial version is the NRV 200. It is similar in design to the HENRY, except that it has a flange or skirt around the bottom of the base, it is slightly taller, and carries the NUMATIC brand rather than the HENRY brand.

Qualtex are involved in the vacuum cleaner aftermarket. Sometime prior to the end of January 2008, Qualtex decided to manufacture and sell a replica of the HENRY. Qualtex believed it could do this freely, provided all relevant intellectual property rights had expired in the particular design they chose and provided they did not use any Numatic trade marks.

Qualtex wrote to Numatic informing it of its intention and saying that the replica cleaner would not use the HENRY name or have a smiley face.

Numatic asserted that it was the owner of valuable goodwill in the appearance of the HENRY vacuum cleaner, including its shape and get-up which it could protect in a passing off action and requested that Qualtex provide various details about its intended prototype. Qualtex did not provide such information, but said that it would ensure that its product would be distinguishable from the HENRY.

Qualtex revealed the replica at a March 2009 trade show (the Cleaning Show). It had no brand name or smiley face applied to it. Although it was blue, and Henry was red, both had shiny bowler hat lids. Unlike the HENRY but similar to the Numatic NRV 200, the replica had a flange or skirt around the base of the tub.

On 29 April 2009, Numatic wrote to Qualtex asking for various undertakings not to deal in any vacuum cleaners that were identical to or substantially similar to the replica that had appeared at the show.

Qualtex did not provide the undertakings and Numatic issued *quia timet* proceedings in May 2009, together with an application for an interim injunction.

In its defence, Qualtex undertook not to sell vacuum cleaners "having the appearance or substantially the appearance of" a photograph of the replica taken at the Cleaning Show. It further annexed a picture of a development of the replica post the Cleaning Show, the sale of which Numatic did not allege would have been passing off.

Three issues fell for the Judge to consider:

1. What, if anything, was Qualtex threatening to do at the date of the commencement of proceedings?
2. Whether any threat which existed continued following service of the defence.
3. Whether anything which Qualtex had threatened to do amounted to passing off.

DECISION

<u>*Threat*</u>

Qualtex argued that the machine presented at the Cleaning Show was unfinished, that it was there to gauge customer reaction and that its overall appearance was to be changed in the light of such reaction. The Judge did not accept this and found that at the date of the show and until proceedings were commenced, Qualtex had been threatening and intending to launch a machine onto the market with substantially the same appearance as the prototype exhibited at the Cleaning Show. However, the Judge decided that the threat had not continued after service of the Defence, which had contained the undertaking mentioned above.

<u>*Passing Off*</u>

The judge found that there was no dispute that Numatic had a protectable goodwill and reputation in the combination of features of the HENRY vacuum cleaner, *i.e.,* the name HENRY, together with the black bowler hat top, a brightly coloured base, a smiley face and the nose. The question was therefore whether, given that reputation, the sale of the Qualtex replica as exhibited at the Cleaning Show would be a damaging misrepresentation.

Numatic undertook a survey and presented the results as evidence of misrepresentation. The judge took account of criticism of this survey from Qualtex's market research expert, but nevertheless found support for the view that there would be confusion if the Qualtex replica was sold in the manner they had threatened. The Judge also said that the evidence confirmed his own impressions which, as this was a *quia timet* action, he was entitled to rely on.

Accordingly, judgment was given in favour of the claimant, Numatic.

COMMENT

At the beginning of his judgment, Floyd J expressed regret that the parties had not settled the case before it reached trial because they were basically fighting about a product that was not on the market and never would reach the market. He suspected that there had been no settlement due to the "very significant costs" that had been incurred.

The judgment also provides a useful indication of the problems a party will face when trying to rely upon the evidence of survey interviewees in this area of IP law.

COMMERCIAL

Financial Services Authority Statement: Consumer Declarations and The Unfair Terms in Consumer Contracts Regulations 1999

In a statement released in June 2010, the Financial Services Authority (FSA) has warned financial services firms to review and amend their retail terms and conditions, stating that terms to the effect that the customer has "read and understood this contract" are unfair under the Unfair Terms in Consumer Contracts Regulations 1999 (CUTCCR). Firms must provide a clear warning to consumers that they should read and understand terms before signing them and that they should ask questions if they do not understand any terms.

BACKGROUND

In the statement, the FSA noted that on 22 January 2009 it published an undertaking by The On-Line Partnership Limited relating to a term that stated "I confirm that I have received, read and understood this agreement and agree to the terms set out within."

The FSA considered this unfair and said that

Firms should draft contracts in plain and intelligible language and must also give consumers a proper opportunity to read all the terms of the contract. Consumers should check the details of the contracts they enter into. But a contract term requiring consumers to declare that they have read and understood the terms of the contract is likely to be unfair because it binds customers to terms which, in practice, they must not have any real awareness of.

The On-Line Partnership undertook to amend the term.

Whether any declaration is fair will depend on its drafting and use in practice. The mere fact that a term could potentially be used to the future detriment of the consumer can make it an unfair term under the UTCCRs. The FSA warns firms not to use declarations in an unfair way, *i.e.,* to avoid their obligations to consumers.

<u>*Fair Declarations*</u>

Declarations about matters within the consumer's knowledge will, generally, be considered fair.

<u>*Unfair Declarations*</u>

Declarations are likely to be unfair where the consumer is not given the opportunity to read and ask questions about a contract without signing it. A declaration requiring consumers to agree that they have read and understood a contract is likely to be unfair, because it may not reflect what has actually happened. Consumers must be given an opportunity to examine all of the terms in the contract. Best practice is to give "a clear warning that they should read and understand terms before signing them and that consumers should ask questions if they do not understand any terms".

Declarations that are used by a firm to reject complaints are also likely to be unfair.

COMMENT

Financial services firms are expected to review their contracts for offending declarations and amend them where necessary. They should not try to rely on any existing declarations prior to amendment. One of the consequences of including potentially unfair terms in standard terms and conditions is the possibility that the brand may be tarnished by publication of the breach on the Office of Fair Trading's Consumer Regulation website and/or the FSA website.

Dominion Corporate Trustees Ltd v Debenhams Properties Ltd: Termination, Time of the Essence and Repudiatory Breach

A recent decision before the High Court of England and Wales has held that the late payment of a reverse premium by Dominion (as landlord) to Debenhams (the UK retailer, as tenant) did not constitute a repudiatory breach and so did not entitle Debenhams to terminate.

BACKGROUND

Dominion held a long lease on a number of units within the Fareham Shopping Centre. Dominion entered into an agreement for a lease with Debenhams in respect of some of the units within the shopping centre under an agreement (the Agreement) in which Dominion was to carry out certain works and make certain payments to Debenhams in order to facilitate the fit-out of the premises for use by Debenhams. Once the fit-out was complete, Debenhams was to take a lease for 15 years at an annual rate of £320,000 plus an additional amount based on turnover.

THE ISSUES

<u>*The Termination Clause*</u>
The Agreement included a termination clause that entitled the non-defaulting party to terminate where the defaulting party "fails or neglects to observe or perform any of the provisions" of the Agreement.

Debenhams argued that the clause entitled it to terminate the Agreement. Mr Justice Kitchen however, held that a literal construction of this clause did not accord with business common sense, *i.e.,* the breach had to be repudiatory to entitle the innocent party to terminate.

<u>*Time of The Essence*</u>
Debenhams also argued that if the clause did not entitle it to terminate, that non-payment of the reverse premium was a repudiatory breach because time was of the essence, owing to the close connection between Dominion's payment obligation and Debenham's obligation to fit out the rented unit.

Mr Justice Kitchen disagreed with this assertion, finding that payment was not vital for Debenhams to complete its obligations under the Agreement and interest was payable on late payment under the Agreement.

<u>*Was Non-Payment a Repudiatory Breach?*</u>
Finally, Debenhams argued that, even if the termination clause was limited to repudiatory breaches and time was not of the essence, the circumstances of non-payment were such that the failure to pay on the due date constituted a repudiatory breach. Mr Justice Kitchen again found in favour of Dominion, finding that this was not the case as Dominion had informed Debenhams of the likelihood of late payment due to difficulties it was encountering with its builders. Dominion had also offered a rent free period as well as indicating that it was committed to make the payment and the Agreement itself.

PRACTICAL CONSEQUENCES

The case reminds practitioners of the need for clear drafting. In complex agreements very strong wording is needed to entitle a party to terminate for a breach of obligation. It would be advisable to delineate specific termination rights peculiar to certain circumstances, rather than rely on a broadly drafted provision which could be unenforceable.

City of Westminster v Urban Wimax Ltd: Clarification of "On Completion of This Agreement"

On appeal, it has been found in *City of Westminster v Urban Wimax Ltd* [2010] EWHC 1166 (Ch) that the phrase "on completion of this agreement", when interpreted in its context, reading the document as a whole and having regard to the expressly stated objectives, could not mean "on execution or signing", but instead on the completion of what is envisaged to be done by the agreement.

BACKGROUND

Urban Wimax, a provider of broadband services, entered into two agreements with the City of Westminster Council. Together, the agreements established a "working partnership" for the exploration of providing a WIMAX network. The agreements established a pilot stage, in which the Council would provide a certain number of rooftops to act as host sites and residential buildings for connectivity trials, free of charge.

The agreements provided for the post-pilot stage. Specifically,

On completion of this agreement the partner agrees to: Provide un-limited access to all its rooftops (potential host-sites) for spectrum analysis. Grant URBAN WIMAX exclusive use, of any and all, of its rooftop assets for WIMAX (802.16) network deployment in the 2-5Ghz ranges of spectrums. This will be for a minimum period of 15 years from the date of this agreement.

The agreements were disputed. The Council obtained damages for tresspass and an order that Urban Wimax remove its equipment from the roofs. In this appeal, Urban Wimax argued that, independent of the pilot and irrespective of its success, the agreement created an obligation for the Council to provide unlimited access to all its rooftops and exclusive right to use those for 15 years for WIMAX network deployment in the specified spectrum ranges. Urban Wimax argued that "on completion of this agreement" meant on execution.

DECISION

On appeal, Mr Justice Roth rejected Urban Wimax's case on construction. He cited *Investors Compensation Scheme v West Bromwich BS* [1998] 1 WLR 896, which restates (among others) the principle that "if detailed semantic and syntactical analysis of words in a commercial contract is going to lead to a conclusion that flouts business common sense, it must… yield to business common sense".

He next cited *Skanska Rashleigh Weatherfoil Ltd v Somerfield Stores Ltd* [2006] EWCA Civ 1732, which notes that "the court must be careful before departing from the natural meaning of the provisions in the contract merely because it may conflict with its notions of commercial common sense" but that it is "plainly justified to depart from the primary meanings of words and give them what might, on the face of it, appear to be a strange meaning, for instance where the primary meaning of the words leads to a plainly ridiculous or unreasonable result."

He also cited *Mitsui Construction Co Ltd v Att-Gen of Hong Kong* [1986] 33 BLR1 at 14 for the principle that "the poorer the quality of drafting, the less willing any court should be to be driven by sensitive niceties to attribute to the parties an improbable and un-businesslike intention".

Consequently, Mr Justice Roth held that "on completion of this agreement" could not sensibly mean on execution or signing of the agreement, but on completing what was envisioned to be done in accordance with the agreement. He held that to allow Urban Wimax's construction would lead to an absurd result that would render otiose certain provisions of the contract, defeat the notion of the "working partnership", and allow Urban Wimax free access to roofs following a failed pilot stage for its own commercial benefit.

Mr Justice Roth also dismissed the cross-appeal on Urban Wimax's counterclaim.

COMMENT

This is an example of the application of principles of contractual interpretation to specific facts. But, more importantly perhaps, it shows the cost that poorly drafted contracts can cause their parties.

E-COMMERCE, IT & BANKING TECHNOLOGY

Financial Services Authority Update: Financial Promotions and Non-Promotional Communications on New Media

In June 2010, the Financial Services Authority (FSA) published an update on financial promotions using new media, following its review of the use of new media channels by those in the financial services sector. New media as defined by the FSA includes social networking websites such as Facebook and other channels such as fora, blogs and smartphone applications. In the review, the FSA looked at approximately 30 new media pages of small and larger firms that offered a wide range of products such as financial advice and investments. The FSA also visited a variety of fora to gain an insight into the posts and comments being made on the subject.

The update draws attention to a shift towards the use of new media and concentrates on promotions that lack risk warnings and go beyond so-called image advertising without complying with all the relevant financial promotion rules. The FSA explains that its financial promotion rules apply generally in a way that is media-neutral, focussing on the content of the financial promotion rather than the medium used to communicate it. As such, it says, applying the rules to financial promotions made using new media is no different from financial promotions made using any other medium.

The FSA goes on to explain that its rules cover all communications by regulated firms to clients, not just promotional ones. The rules for non-promotional communications are fairly high-level, the main rule being that communications must be fair, clear and not misleading.

The FSA identified good and poor practice among firms that had adopted the use of new media to communicate financial promotions. Examples of the latter include promotions that lacked any kind of warning and promotions that, while not very specific about products or services, nevertheless went beyond the definition of image advertising. An image advertisement, which is exempt from the financial promotion rules, consists only of the following: the name of the firm, a logo or other image associated with the firm, a contact point and a reference to the types of regulated activities provided by the firm or to its fees or commissions. This is a narrow definition and any communication that goes beyond the definition of image advertising in any way will need to comply with all of the relevant financial promotion rules.

The FSA suggests that, because new media may date more quickly than traditional media channels, regular reviews would help ensure that information is up-to-date. It also stresses the importance of considering whether the new media channel is a suitable method for the type of communication, *i.e.,* whether it can meet the requirements for stand-alone compliance. For example, the FSA reminds firms that Twitter limits the number of characters that can be used, which may be insufficient to provide balanced and adequate information. Firms should also consider whether the risk information could be displayed prominently and clearly using new media channels.

SPORT

Future Investments SA v Fédération Internationale De Football Association (FIFA): Licensing of World Cup Rights, Jurisdiction and Causing Harm by Unlawful Means

This claim, which Future Investments sought to bring in England, concerned the scope of FIFA's rights to license footage of the 1998 World Cup to IMG. Future alleged and FIFA denied, that Future had exclusive rights that FIFA and IMG had infringed, since IMG should have obtained a license from Future to use the footage. Future claimed against FIFA under the tort of causing damage by unlawful means.

BACKGROUND

FIFA licensed IMG Media to market and sell a DVD that contained footage of the 1998 Football World Cup (WC98). The FIFA / IMG Agreement was signed by FIFA in Switzerland and by IMG in England. This claim was based on a chain of agreements starting with a licence from FIFA and ending with Future Investments SA (both domiciled in Switzerland).

Future Investments SA claimed to hold exclusive rights to the production and exploitation of the international television signal and all other copyright works in WC98 matches and opening and closing ceremonies. It brought a claim in the English courts, contending that by giving IMG a warranty that FIFA had the right to grant all of the rights and licences in respect of WC98, FIFA had the intention to cause economic harm to Future Investments.

FIFA brought a jurisdictional challenge under Article 2 of the Lugano Convention, which provides that a defendant should be sued in the courts of its country of domicile. Article 5(3) creates an exception for actions in tort in favour of the courts where the harmful event occurred. FIFA argued that the harmful event did not occur in England, while Future Investments claimed that it did.

DECISION

Causing Harm by Unlawful Means

Floyd J held that Future's claim failed to state a pleadable cause of action. The licence granted by FIFA to IMG resulted allegedly in IMG not approaching Future Investments for a licence. However, the judge differentiated between keeping customers away from competitors' goods and keeping them away from the competitors' intellectual property rights, concluding that IMG may have been discouraged from approaching Future Investments for a licence as a result of FIFA's warranty. However, that warranty did not cause Future Investments' rights to disappear or become less valuable.

Jurisdiction

Assessing the question of where the harmful event occurred and where the damage took place, the judge concluded that Future Investments had failed to show that the English courts had jurisdiction. Rejecting Future Investments' argument that the harm occurred in England when FIFA equipped IMG with WC98 material, the judge agreed with FIFA that the place where the harmful event occurred was in Switzerland, where FIFA signed the FIFA-IMG Agreement.

The judge held that the harmful effect was the alleged interference with IMG's freedom to deal with Future Investments in respect of rights to WC98. That would occur where the contract with Future Investments would have been made. He concluded that any contract between Future Investments and IMG would have been made in Switzerland, not England. Consequently, the jurisdictional challenge was upheld.

ACKNOWLEDGEMENTS

The European IP Bulletin is produced in association with

CALLEJA CONSULTING

LEGAL KNOW-HOW AND INFORMATION MARKETING CONSULTANTS

rico@callejaconsulting.com

MCDERMOTT CONTACT DETAILS

LONDON

Gary Moss, Partner
Direct Line: +44 20 7570 6940
Email: gmoss@mwe.com

Hiroshi Sheraton, Partner
Direct Line: +44 20 7575 0324
Email: sheraton@mwe.com

Rohan Massey, Partner
Direct Line: +44 20 7575 0329
Email: rmassey@mwe.com

MUNICH

Boris Uphoff, Partner
Direct Line: +49 89 12712 170
Email: buphoff@mwe.com

DÜSSELDORF

Thomas Hauss, Partner
Direct Line: +49 211 3003 210
Email: thauss@mwe.com

ROME

Francesco Mattina, Partner
Direct Line: +39 06 462024 60
Email: fmattina@mwe.com

For more information about McDermott Will & Emery visit www.mwe.com.

McDermott Will & Emery

Office Locations

Boston
28 State Street
Boston, MA 02109
USA
Tel: +1 617 535 4000
Fax: +1 617 535 3800

Brussels
Rue Père Eudore Devroye 245
1150 Brussels
Belgium
Tel: +32 2 230 50 59
Fax: +32 2 230 57 13

Chicago
227 West Monroe Street
Chicago, IL 60606
USA
Tel: +1 312 372 2000
Fax: +1 312 984 7700

Düsseldorf
Stadttor 1
40219 Düsseldorf
Germany
Tel: +49 211 30211 0
Fax: +49 211 30211 555

Houston
1000 Louisiana Street, Suite 1300
Houston, TX 77002
USA
Tel: +1 713 653 1700
Fax: +1 713 739 7592

London
7 Bishopsgate
London EC2N 3AR
United Kingdom
Tel: +44 20 7577 6900
Fax: +44 20 7577 6950

Los Angeles
2049 Century Park East
38th Floor
Los Angeles, CA 90067
U.S.A.
Tel: +1 310 277 4110
Fax: +1 310 277 4730

Miami
201 South Biscayne Blvd.
12th Floor
Miami, FL 33131
USA
Tel: +1 305 358 3500
Fax: +1 305 347 6500

Milan
Via A. Albricci, 9
20122 Milan
Italy
Tel: +39 02 89096073
Fax: +39 02 72095111

Munich
Nymphenburger Str. 3
80335 Munich
Germany
Tel: +49 89 12 7 12 0
Fax: +49 89 12 7 12 111

New York
340 Madison Avenue
New York, NY 10173
USA
Tel: +1 212 547 5400
Fax: +1 212 547 5444

Orange County
18191 Von Karman Avenue
Suite 500
Irvine, CA 92612
USA
Tel: +1 949 851 0633
Fax: +1 949 851 9348

Rome
Via A. Ristori, 38
00197 Rome
Italy
Tel: +39 06 4620241
Fax: +39 0648906285

San Diego
11682 El Camino Real, Ste. 400
San Diego, CA 92130
USA
Tel: +1 858 720 3300
Fax: +1 858 720 7800

Shanghai
MWE China Law Offices
Strategic alliance with MWE China Law Offices
Suite 2806 Jin Mao Building
88 Century Boulevard
Shanghai Pudong New Area
P.R.China 200121
Tel: +86 21 6105 0500
Fax: +86 21 6105 0501

Silicon Valley
275 Middlefield Road, Suite 100
Menlo Park, CA
94025
Tel: +1 650 813 5000
Fax: +1 650 813 5100

Washington, D.C.
600 Thirteenth Street, N.W.
Washington, D.C. 20005
USA
Tel: +1 202 756 8000
Fax: +1 202 756 8087