



COMMERCIAL

Law Applicable to Non-Contractual Obligations

On 11 January 2009, Regulation 849/2007/EC, (Rome II, or the Regulation), which harmonises the way EU Member States determine which law applies to non-contractual obligations, came into force. Previously, in most Member States the law applicable to non-contractual obligations was the law of the place where the tort was committed. The Regulation alters this so that the law of the place where the damage occurs will generally apply, subject to certain exceptions. The Regulation applies to all EU Member States except Denmark.

The necessary changes to UK law were made by the Law Applicable to Non-Contractual Obligations (England and Wales and Northern Ireland) Regulations 2008/2986.

SCOPE AND BASIC RULES

The Regulation applies, in situations involving a conflict of laws, to non-contractual obligations in civil and commercial matters. It does not apply in revenue, customs or administrative matters, or to the liability of the State for acts or omissions in the exercise of State authority.

Various other matters are also excluded, including non-contractual obligations arising out of or under: family and similar relationships; matrimonial and similar property regimes, wills and succession; bills of exchange and other negotiable instruments; the law of companies and other bodies corporate or unincorporated regarding various matters; relations between settlors, trustees and beneficiaries of voluntarily created trusts; nuclear damage; and violations of privacy, personality rights and defamation.

Damage is deemed to cover any consequence arising out of any tort or delict, unjust enrichment, *negotiorum gestio* (where an act is performed without due authority in connection with the affairs of another) or *culpa in contrahendo* (obligations in negotiation).

Generally, the law applicable to a non-contractual obligation arising out of a tort or delict shall be the law of the place where the damage occurs, regardless of the country where the event leading to the damage occurred and the country where the indirect consequences of that event occur. If, however, the

person allegedly liable and the injured party both reside habitually in the same Member State at the time the damage occurs, the laws of that State apply. Also, where the circumstances indicate clearly that the tort is “manifestly more closely connected with a country” other than the country determined by either of these methods, the laws of that other country prevail.

EXCEPTIONS

There are certain exceptions to the general rule regarding specific types of damage:

- **Product liability** (Article 5): The law applicable to non-contractual obligations arising from damage caused by a product shall be: (a) the law of the country where the person sustaining damage is resident habitually if the product was marketed in that country, or failing that; (b) the law of the country where the product was acquired if the product was marketed in that country, or failing that; (c) the country where the damage occurred if the product was marketed in that country. However, if the person liable could not reasonably foresee the marketing of the product in the country the law of which applies under (a), (b) or (c), then the law of the country where the person liable resides habitually applies.

If the circumstances clearly indicate that the tort is manifestly connected more closely with a country other than that indicated above, the law of that other country applies.

- **Unfair competition or restriction of competition** (Article 6): The law applicable to non-contractual obligations arising out of an act of unfair competition shall be the law of the country where the competitive relations or the collective interest of consumers are affected. If acts of unfair competition affect exclusively the interests of a specific competitor, the general rule applies.

The law applicable to non-contractual obligations arising from restrictions of competition shall be the law of the country where the market is affected. If the markets of more than one country are affected, the person seeking compensation who sues in the court of the defendant’s domicile may instead choose to base the claim on the law of the court seised, provided that the market in that Member State is amongst those affected directly and substantially by the restriction of competition out of which the non-contractual obligation on which the claim is based arises.

- **Infringement of intellectual property** (Article 8): The law applicable to non-contractual obligations arising from intellectual property rights infringement is that of the country for which protection is claimed or, regarding infringement of unitary Community rights, the country in which the act of infringement occurred.
- **Freedom of choice** (Article 14): Except in certain cases which cannot be derogated from by agreement, the parties may agree to submit non-contractual obligations to the law of their choice: (a) either by agreement after the event leading to damage occurred; or (b) when all parties are pursuing a commercial activity, by agreement freely negotiated before the event leading to damage occurred. The choice must be demonstrated with reasonable certainty by the circumstances and shall not prejudice third party rights.

COMMENT

The Regulation changes fundamentally how the law applicable to non-contractual obligations is determined. It will be interesting to see whether it leads, in practice to increased legal certainty in respect of cross border dealings.

Exclusive Jurisdiction Clause

In *Middle Eastern Oil LLC v National Bank of Abu Dhabi* [2008] EWHC 2895 (Comm) the High Court of England and Wales stayed English proceedings after finding that a banking agreement conferred exclusive jurisdiction on the courts of the United Arab Emirates (UAE). Claimed loss sustained in England was not enough to circumvent the clause as such loss was foreseeable at the time of contract.

BACKGROUND

In 2002, Middle Eastern Oil (MEO) instructed the National Bank of Abu Dhabi to transfer U.S.\$1.6 million to the account of Emir8, a company in which MEO held shares. The transfer was not made (due to intervention from the Central Bank of the UAE), pending an investigation into the source of the funds. Emir8 subsequently went into liquidation. MEO alleged this was due to non-payment of the funds and issued proceedings against the bank in the High Court for breach of contract (non-compliance with MEO's instructions) and negligence, with around U.S.\$6 million damages claimed for loss in value of the shares.

The bank sought a stay of the proceedings based upon Clause 9 of an agreement covering the parties' relationship. The bank argued this was an exclusive jurisdiction clause only binding on MEO:

The Bank and the Customer submit to the jurisdiction of the Civil Courts of the United Arab Emirates but without prejudice to the Bank's general right to take proceedings, where necessary, in any court wheresoever.

MEO argued it meant each party agreed to submit to the jurisdiction of the UAE if the other party commenced

proceedings there, but they retained the right to commence proceedings elsewhere.

DECISION

The words from "without prejudice" onward were held to indicate that the draftsman intended MEO to be obliged to commence proceedings in the UEA. MEO could overcome this obligation, if there were strong reasons why the Court should not enforce the clause, in line with *El Amria* [1981] 2 Lloyd's Rep. 199, and *Donohue v Armco Inc.* [2002] 1 Lloyd's Rep 425.

- Damage sustained in England was not a strong reason. Citing *British Aerospace plc v Dee Howard Co* [1993] 1 Lloyd's Rep 368 and *Metro v CSAV* [2003] 1 Lloyd's Rep 405 the Court held that although MEO's loss claimed was sustained in England and this was a strong connecting factor with the English jurisdiction, loss occurring outside the jurisdiction of the UAE could have been foreseeable at the time that the contract was concluded.
- The applicable law of Tort was held not to be English. It was found not to be a cause of action regarding damage to property (the shares had not been damaged, but simply ceased to exist) but one for negligent failure to transfer a sum of money. This occurred in the UEA.
- Even if the findings on tort were incorrect, the Court found (under Section 12 of the Private International Law Act 1995) that after making a comparison of factors it was substantially more convenient to determine claim in the UEA.
- MEO also relied upon quality of justice in the UAE. This was dismissed, in part, as the money laundering matter had ultimately been resolved in MEO's favour, which indicated likelihood of a fair trial.

COMMENT

In light of this decision, the circumstances in which an exclusive jurisdiction clause can be circumvented are limited, requiring very strong reasons to justify going behind the wording of the agreement.

INTELLECTUAL PROPERTY

Singapore Treaty on the Law of Trademarks

On 27 March 2006 the Singapore Treaty on the Law of Trademarks was adopted. However, it has taken some time for the Treaty to be ratified. Following Australia's ratification on 16 December 2008, the Treaty will come into force on 6 March 2009.

BACKGROUND

The Singapore Treaty, which updates the 1994 Trademark Law Treaty, is mainly concerned with procedural aspects of trade mark registration and licensing and introduces greater

flexibilities and efficiencies into the delivery of trade mark registration services. The ten countries willing to ratify the treaty were Australia, Bulgaria, Denmark, Kyrgyzstan, Latvia, Republic of Moldova, Romania, Singapore, Switzerland and the United States. According to the World Intellectual Property Organization (WIPO), benefits of this the Treaty will occur through “eliminating red tape, enabling trade mark authorities to take advantage of modern communications technologies, and further simplifying and standardizing trade mark office procedures”. As such it “promises to reduce transaction costs for brand owners”.

NEW TYPES OF MARK

The Treaty explicitly recognises that trade marks are not limited to two-dimensional labels on products and specifically mentions new types of marks, such as hologram marks and motion marks. Although such marks are relatively uncommon at the moment, WIPO is optimistic that these unconventional marks will grow in popularity as companies seek novel promotional ideas for their products in a changing marketplace.

COMMON RULES

The Treaty also establishes common rules for the recording, amendment and cancellation of trade mark licences. It is hoped that the common standards will ultimately result in greater legal certainty, cost savings and efficiencies—especially important in post-corporate transactions where a multitude of trade mark authorities must be informed of new terms, ownership, *etc.*. In brief, recordal of a licence may not be required as a condition for the use of the mark by a licensee to be deemed to constitute use by the holder in proceedings relating to the acquisition, maintenance and enforcement of marks. Recordal of a licence may also not be required as a condition for a licensee to join infringement proceedings initiated by the trade mark holder or to obtain infringement damages. However, any state or intergovernmental organisation may still declare through a reservation that it requires licensee recordal as a condition.

The Treaty also introduces new mandatory relief measures for trade mark office procedures in order to alleviate procedural mistakes by trade mark applicants, notably missed time limits.

UK-IPO Backtracks on Fast Track System for Patent Processing

In the face of overwhelming scepticism, the UK Intellectual Property Office (IPO) has abandoned plans for a fast track system for patent processing. It has been urged to accept the need to focus instead on improving its existing “Combined Search and Examination” service (CSE). It is as yet unclear, however, what form such improvement might take and it is possible that it may not extend beyond clarification of current processes.

BACKGROUND

In December 2005, the Chancellor of the Exchequer asked the Gowers Review panel to conduct an independent review into

the so-called “UK Intellectual Property Framework”. The Review outlined recommendations focusing on the speed at which UK patents are processed and granted and suggested that fast track processing should be pursued in order to speed up the process when required by the individual patent applicant. In 2007, the UK-IPO carried out a public consultation on a new fast track service for processing patent applications.

FAST TRACK PROPOSAL AND CONSULTATION

In brief, the proposal was for a new single process for fast tracking the patent application for a fee of £400-£600. The process would speed up the actual review by examiners of the formalities and processing of the application. If Office Actions were issued by the patent examiner, these would essentially jump up the examination queue with the hope that the entire filing-to-grant process could be accomplished within a year of the filing date. The new fast track system was to incorporate the existing CSE, which would result in the CSE being dropped as part of the IPO’s normal range of service offerings.

RESPONSES

The IPO received a total of 17 responses from a range of interested parties, including patent attorneys and professional representative bodies and firms. In summary, the overall opinion was for support of the previous CSE system and accelerated services and not the new fast tracking system proposed by the Gowers Review panel.

BACKTRACK

In light of these responses, the IPO will not be proceeding with the fast track system for processing patent applications. Instead the IPO is “in the process of clarifying and giving more prominence to guidance in relation to our existing services”. A new guidance note will be issued in the not too distant future and seemingly will be front and centre on the IPO’s website.

COMMENT

It was interesting to note that the IPO keeps a “balanced scorecard” of its key targets. For 2008/09, it intends to reach a target for processing accelerated examinations, *i.e.*, issue substantive response to an allowable request for accelerated patent examination within two months of receipt in 90 per cent of searched applications, presumably using the CSE service.

UK-IPO Launches New Patents Databases

The UK Intellectual Property Office (IPO) launched two new patents databases on 17 January 2009: Patents Endorsed Licence of Right (LOR) and Patents Not in Force (NIF). LOR is designed to flag up UK patents that are still in force and are open for licensing; NIF features all UK patents no longer in force and therefore available to all to use and improve upon. According to the IPO “both the new databases will help businesses identify opportunities they might otherwise not have found”. Currently there are around 8,000 patents that are open for licensing and around 711,000 patents that are no longer in force and therefore available for exploitation.

The databases are based on the e-Patents Journal available on the IPO website and according to the announcement, the databases are to be updated weekly. Each database provides a searchable sub-set of data taken directly from the UK Patents Register and also provides links back to the Register and to esp@cenet in order to pull off all the necessary information pertaining to any particular patent, including a copy of the patent specification describing the invention.

COMMENT

The introduction of the databases was a recommendation by the Gowers review of intellectual property issued two years ago. In today's economy anything that could be of benefit to businesses and technology development in general is to be welcomed. However, as this information has already been available in one form or another for quite some time, it is questionable whether having it in one-stop-shop table form will be of substantial value.

Companies Name Tribunal

The Companies Name Tribunal has upheld the first objection to the registration of a company name brought under the new Section 69 procedures of the Companies Act 2006. Coca-Cola Company Limited filed formal objections under Section 69 to the registration of the company name "Coke Cola Limited".

Section 69, which came into force on 1 October 2008, permits a brand owner to file a complaint against a company name that appears to have been registered in order to take advantage of the goodwill or repute of a brand owner's brand or trade mark, or if it is sufficiently similar to a brand owner's name that its use in the United Kingdom is likely to mislead the public by suggesting a connection between the registered company and the brand owner. If an objection is raised by the brand owner against a registered company name, the respondent can still maintain the company name as registered if it can prove satisfactorily to the adjudicator that: the company name predates the brand owner's activities; or that the company that is operating, or will be operating under, the name has incurred substantial start-up costs; or that the company formerly operated under the name but is now dormant; or the name was registered in the ordinary course of company formation business and is available for sale to the brand owner on the standard terms of the business; or the name was adopted in good faith; or the brand owner's interests are not being significantly and adversely affected.

Coca-Cola's objection to Coke Cola Limited was the first to be lodged with the Tribunal and when the Respondent failed to file a defence within the requisite one-month period set by the adjudicator, the adjudicator was able to treat the case as being of "no contest" and made an order in accordance with Section 73(1) of the Act that Coke Cola Limited must change its name within one month. The Respondent still failed to respond and therefore the adjudicator is now free to determine a new company name for the Respondent under Section 73(5).

Section 69 of the Companies Act could prove to be a highly useful tool for brand owners in that it permits them to apply to the Company Names Tribunal directly and to rely on the fundamental precepts of trade mark law and passing off to object to the registration of a company name whilst avoiding the significant expenditure normally associated with issuing court proceedings. Nonetheless, the true value ultimately of the new procedure will be judged by its effectiveness in resolving defended objections.

TRADE MARKS

Comparison of Marks as a Whole

In *Shaker di L. Laudato & C. Sas v OHIM* [2008] T-7/04 (unreported), the Court of First Instance (CFI) has upheld an Office for Harmonization in the Internal Market (OHIM) Board of Appeal decision it originally annulled, allowing an opposition to the registration of a figurative mark featuring the word "limoncello" based on an earlier Spanish registration for the word mark LIMONCHELO. The CFI applied firm guidance given by the European Court of Justice (ECJ) to the effect that the Court must make a comparison of the marks as a whole and not solely against the dominant element of the composite mark.

BACKGROUND

In October 1999, Italian company Shaker filed an application for the Community trade mark LIMONCELLO DELLA COSTIERA AMALFITANA (pictured below) covering "jellies, jams, compotes" and "Lemon liqueur from the Amalfi Coast".



In 2000, Limiñana y Botella SL filed an opposition to the application on the basis of its prior Spanish registration for the word mark LIMONCHELO, covering "wines, spirits and liqueurs".

The Opposition was upheld on the basis that there was a likelihood of confusion under Article 8(1)(b) of the Community Trade Mark Regulation (40/94/EC) in view of the visual and phonetic similarities between the two marks and because the goods in question were identical. Shaker appealed. OHIM's

Second Board of Appeal dismissed the appeal holding that due to the similarity of the marks and the goods in question, there was a risk that Spanish consumers might confuse or associate their commercial origin.

Upon application to annul the decision, the CFI initially found that there was no likelihood of confusion between the marks. It held that a complex mark that was composed of several elements could only be considered similar to another mark if the similar element constituted the dominant element within the overall impression created by the complex mark. Analysing the two marks, the CFI found that the dominant element of the mark applied for was the round dish decorated with lemons, which was distinctive due to its contrasting colours and large size. Therefore the CFI did not consider it necessary to assess the phonetic and conceptual features of the two marks.

EUROPEAN COURT OF JUSTICE

OHIM challenged the judgment of the CFI. The main issue was how the likelihood of confusion between a word mark and a complex word and figurative mark should be assessed. The ECJ held that the likelihood of confusion had to be assessed globally and on the overall impression created by the signs at issue. Accordingly, the CFI had made an error of law in holding that it was not necessary to analyse the phonetic and conceptual features of the other elements of the mark applied for.

CFI'S SECOND DECISION

Reinstating the Board's decision, the CFI acknowledged that the likelihood of confusion required taking into account the interdependence of the similarity of the signs and of the goods and services covered. Consequently, the CFI stated that the figurative component of the mark applied for occupied a place visually as important as the word "limoncello" in the mark.

On an overall comparison of the marks, the CFI held that there was a similarity between them as the words "limoncello" and "limonchelo" were visually and phonetically practically identical. Accordingly, the OHIM Board of Appeal had correctly found that a likelihood of confusion existed.

MISUSE OF POWERS BY OHIM?

Interestingly, Shaker also argued that given the manifest error of assessment vitiating the Board's decision, OHIM misused its powers. Shaker argued that OHIM's error arose from its taking into account solely the word "limoncello" for the trade mark applied for when assessing the likelihood of confusion, which was not consistent with carrying out a global assessment of the various factors. In addition, Shaker argued that there was a manifest error of assessment in the stance taken by OHIM throughout the application procedure that was totally contradictory.

The CFI pointed out that the concept of misuse of powers was narrow and referred only to cases where an administrative

authority used its powers for a purpose other than for which they were conferred. The Court then held that the alleged errors that the Board of Appeal possibly made in reaching that decision were not sufficient to lead to the annulment of the contested decision.

COMMENT

Consequently, the CFI dismissed the entire action and ordered Shaker to pay all the costs of the proceedings before the CFI and Court of Justice. The extensive litigation between the parties confirms the importance of the global appreciation test expounded in *Sabel v Puma* [1997] ECR I-6191: unless one element clearly dominates a trade mark and all other components of the mark are negligible, the whole mark must be taken into account when assessing the likelihood of confusion.

Losing Control of Own Name When Leaving a Business

In a complex trade mark case, *Hotel Cipriani SRL v Cipriani (Grosvenor Street) Ltd* [2008] EWHC 3032 (Ch), the English High Court has ruled that despite being Ciprianis of some repute themselves, the owners of the Cipriani restaurant in London have infringed a well-known trade mark and passed their business off as having a connection with the Hotel Cipriani in Venice and its sister hotels under the same name.

BACKGROUND

The Claimant, HC, was the owner of the Hotel Cipriani in Venice and the Ristorante Hotel Cipriani in Lisbon and Madeira. HC is the proprietor of a Community trade mark (CTM) for the word mark CIPRIANI for various goods and services including hotels and restaurants.

The Defendants (the Ciprianis) were the owners of Cipriani London, usually referred to as The Cipriani, its sole director Giuseppe Cipriani and a Luxembourg corporation of which Giuseppe Cipriani and his father Arrigo are directors. Arrigo's father, Giuseppe Senior, used to own a significant proportion of the shares in HC, but he had long since sold his interest in HC.

The Ciprianis had applied to register two CTMs in respect of food and services, both of which included the word CIPRIANI. HC opposed the applications, with complete success in relation to services and partial success in respect of the food application. This spat was significant in the context of the current dispute because it established that the Ciprianis, and probably Arrigo himself, were aware that HC owned the CTM in suit.

In November 2006, HC brought an action for passing off and trade mark infringement of its CTM (but not its UK mark) and sought the protection afforded to well-known marks under Section 56 of the Trade Marks Act 1994. The Ciprianis counterclaimed for invalidity of both the CTM and UK trade mark on the basis that they had been applied for in bad faith.

It was held that the Ciprianis' use of CIPRIANI infringed the CTM under Article 9(1)(a) of the Community Trade Mark Regulation (40/94/EC) and their use of CIPRIANI LONDON infringed the CTM under Article 9(1)(b). Arnold J held that they did not have a defence to either claim under Article 12(a) and were also liable for passing off. Arnold J dismissed the Ciprianis' counterclaims for declarations that the CTM and the UK trade mark were registered invalidly and granted HC an injunction under Section 56. He found Giuseppe and the Luxembourg corporation liable jointly with the restaurant.

Arnold J held that the Ciprianis could not rely on the own-name defence in Section 11(2) of the Trade Marks Act, since a legal person, such as the restaurant, could only avail itself of the defence if it was using the whole of its name, as registered. The restaurant business was registered as "Cipriani (Grosvenor Street)", which would not excuse its use of the word CIPRIANI or CIPRIANI LONDON. Furthermore, the judge noted that, following *Asprey & Garrard Ltd v WRA (Guns) Ltd* [2001] EWCA Civ 1499, the defence was not available to new companies, as this would provide an obvious defence to piracy. Giuseppe, as second Defendant, could not rely upon the defence as he was not himself trading and the Luxembourg corporation could not rely upon the defence because neither was it trading nor was CIPRIANI its name as registered. In any event, the second part of the test, that the use of the mark should be in accordance with honest practices, was not fulfilled because it was clear that the Ciprianis had been aware of HC's CTM, since HC had used it as a basis to oppose their CTM applications before the Office for Harmonization in the Internal Market (OHIM).

COMMENT

Lessons can be learned from this case on the question of co-existence agreements. When Giuseppe Senior sold his shares in HC, the parties had entered into an agreement, under Italian law, supposedly drawing the boundaries within which the two sides would operate in future. Sadly, the agreement was not well-drafted and was clearly prepared without the benefit of specialist trade mark advice.

Non-Profit-Making Organisation and "Genuine Use"

On a reference for a preliminary ruling in *Verein Radetzky-Orden v Bundesvereinigung Kameradschaft "Feldmarschall Radetzky"* [2007] C-422/07 to determine whether a non-profit-making organisation can make "genuine use" of a trade mark, the European Court of Justice (ECJ) held that the fact that a charitable organisation does not seek to make a profit does not mean that its objective cannot be to create and preserve an outlet for its goods or services.

BACKGROUND

The Bundesvereinigung Kameradschaft "Feldmarschall Radetzky" (BKFR) is a charitable association dedicated to the preservation of military traditions. The BKFR owns a number of Austrian trade marks, registered in 1996 for maintenance

work, cultural activities and social services. The marks represent badges of honour and the BKFR awards orders and decorations that correspond to them. BKFR members wear these decorations when carrying out fundraising activities and they are reproduced on BKFR stationery and invitations to fundraising events.

In 2004, the Verein Radetzky-Orden (Orden) sought to revoke the marks before the Austrian Patent Office on the basis that they had not been used commercially for a period of five years following registration. The Austrian Patent Office granted the application and the BKFR appealed to Austria's Highest Patent and Trade Mark Senate. The proceedings were stayed to refer a question to the ECJ as to whether the use to which the BKFR put the marks, being non-commercial, constituted "genuine use" under Article 12(1) of the Trade Mark Directive (89/104/EEC).

DECISION

The ECJ held that Article 12(1) must be construed as meaning that a trade mark is put to genuine use where a non-profit-making association uses the trade mark in its relations with the public, in announcements of forthcoming events, on business papers and on advertising material and where the association's members wear badges featuring that trade mark when collecting and distributing donations.

The Court observed that the fact that marks are referred to in the Paris Convention as "trade marks" was indicative of their financial purpose. Pursuant to its 12th recital, the Directive was to be interpreted in accordance with the Paris Convention.

Following *Ansul* (C-40/01), "genuine use" must be use of the mark by the proprietor on the market for the goods or services protected by that mark and not just internal use within the undertaking concerned. In *Ansul*, use of trade marks by a non-profit-making organisation during private ceremonies or events, or on publicity materials relating to such events, was held to be internal use and not "genuine use" for the purposes of the Directive.

The ECJ stressed that the fact that the organisation did not seek to make a profit did not mean that its objective could not be to create and preserve an outlet for its goods or services. The Court further observed that the marks might protect the association from the possible use in trade of identical or similar signs by others.

COMMENT

It is now for the Austrian Senate to determine whether the BKFR has made genuine use of the marks by using them to identify and promote its goods or services to the general public, or whether it has merely made internal use of them.

PATENTS

Employee Inventors - First Ever Award of Compensation

For the first time ever, the High Court of England and Wales has awarded compensation to employee inventors in recognition of their efforts in inventing a patented product.

In *Kelly and Chiu v GE Healthcare Limited* [2009] EWHC 181 (Pat), the Claimants were employed by the Defendant as research scientists. As part of that work, they were co-inventors on two patent families covering a radiopharmaceutical heart imaging agent known as Myoview, which went on to generate sales in excess of £1.3 billion. They claimed under a UK provision that provides that a court may award compensation to an employee inventor where a patent is of “outstanding benefit to the employer”.

Mr Justice Floyd held that, in order to assess the level of benefit to the Defendant, it was necessary to assume that Myoview had been put on the market without patent protection and then to compare an estimate of how it would have performed with the actual benefit obtained by the Defendant. He noted that, as well as patent protection, Myoview was also protected by regulatory data exclusivity and, accordingly, this had to be taken in to account in the scenario without patent protection.

Nevertheless, the judge found that the Defendant had obtained outstanding benefits from the patents in at least three ways. As well as protecting sales of the product against generic competition after the expiry of regulatory data exclusivity and the consequent reduced profits, the judge found that the fact that the Defendant had a patented blockbuster product was also a major factor in securing various mergers that have since transformed it.

Floyd J assessed the benefit of the patents to the employer to be £50 million as an “absolute rock bottom figure”. He rejected the Defendant’s argument that any award to the Claimants should be based on their existing remuneration and instead awarded the two Claimants £1 million and £500,000 respectively as their percentage of the benefit obtained by the Defendant.

This case is highly significant, as it is the first time that the UK courts have awarded compensation to employee inventors under this law, even though it has been in force since 1977. Indeed, the relevant law was amended in 2005 so as to widen the scope of the relevant benefit obtained by the Defendant to include the invention as well as the patent itself. This case, however, was decided on the old law and will inevitably lead to increased interest in employee inventor compensation in the United Kingdom.

E-COMMERCE, IT & BANKING TECHNOLOGY

Interim Injunction or Alleged Breach of Software Distribution Agreement

In granting an injunction to the exclusive distributor of proprietary software in cash machines (*Talaris (Sweden) AB v Network Controls International Ltd* [2008] EWHC 2930), Mr Justice Coulson provides an object lesson in the application of the “American Cyanamid principles” in a dispute focusing on the construction of the terms of an exclusive distributor agreement (EDA). The judge concluded that whilst the software developer was entitled to make “preparatory arrangements” for the eventual termination of the EDA, for example by entering into discussions with alternative distributors, such arrangements did not extend to marketing jointly with a competitor of the Claimant a product incorporating the software at a trade fair.

The Defendant, NCI, provided software for cash machines produced by Talaris, the Claimant. Pursuant to a written EDA, NCI was not permitted to supply software to anyone else. NCI was subsequently bought by NCR, a competitor of NCI. NCR then exhibited one of its own machines alongside one from Talaris, both running software provided by NCI. Talaris had not given permission for this demonstration and accordingly applied for an injunction to prevent a breach of the EDA.

The judge awarded an injunction in relation to a particular breach of the EDA which specifically did not allow NCI to market the software without the involvement of Talaris, particularly in conjunction with one of Talaris’ principal competitors. In this respect, there is some value in the judge’s consideration of what actually constitutes marketing which has at its heart a public element that is arguably more than satisfied by featuring a product on a display stand at a trade fair.

In so holding, the judge stressed an important case management point. It was plain that the issues in the dispute were very limited. A number were concerned with construction of the agreement and although there was need for some evidence as to the software, particularly the relationship between the competing versions, the judge considered that the issues could be determined promptly and that the case would be suitable for a two-day trial at the beginning of the next court term which was in only six or seven weeks’ time. Whilst it was important that the court did not decide to grant an injunction simply because it was also going to give directions for a speedy trial of the underlying issues, the judge considered that by the same token it was plainly a factor that the court should take into account when considering the balance of convenience.

ADVERTISING & MARKETING

Concerns About Advertising Over Digital Media

On 1 December 2008, the Advertising Standards Authority (ASA) published its Compliance Report—Digital Media Survey. The Report reveals that where the self-regulatory rules apply in digital media there is a high compliance rate. The report also points out, however, that the ASA's remit does not extend to companies' own websites (other than in regards to sales promotions) and that around 70 per cent of complaints investigated could not be resolved as they related to communications that are currently outside that remit.

OVERVIEW

Top of the class with 100 per cent compliance with the Committee of Advertising Practice (CAP) non-broadcast Code came virals, podcasts and mobile messaging. Bringing up the rear were sponsored search ads and emails. By far the worst performing sector, responsible for 10 out of the 16 breaches recorded, was the health and beauty sector. As a result, the ASA has vowed that digital adverts in this area will be subject to greater scrutiny in the future.

Although outside the Report's remit, many viral emails would have breached the ASA's code. Another problem identified with virals was parodies of an existing advert, often produced by amateurs without the knowledge or consent of an advertiser. The ASA advises advertisers that while it is up to them how they deal with this phenomenon, it might be sensible to leave alone parodic versions of their adverts that are popularly received, but to insist on the removal of versions that are too risqué or offensive to certain groups.

Another concern raised by the ASA in its Compliance Report concerns social networking sites and in particular paid-for, user-generated ads. The ASA warns that such models will need to be watched closely in future mainly because the typical user could well be an entrepreneurial individual or small business owner with perhaps a low awareness of CAP Code requirements. It does seem however that, for the time being at least, the ASA is worrying unnecessarily about the small business owner since the four paid-for ads found to breach the Code were placed by established companies. Three of those four ads included *prima facie* breaches of the Code and were placed by companies that either should have known the applicable rules or that had previously been told by the ASA to amend claims when they appeared in other media.

COMMENT

The ASA concludes that the high compliance rate recorded in the Report belies the common perception of digital ads being the "wild west" of non-broadcast media. However, despite the generally upbeat tone of the Report, the high number of breaches by health and beauty sponsored search ads and emails has given the ASA cause for concern and the Authority will

continue to keep a close eye on this sector in the future. Another problem for which the solution proves much less straightforward remains the widespread concern about digital marketing communications that currently fall outside the ASA's regulatory scrutiny, such as companies' own websites. With digital media marketing set to overtake television as the biggest advertising medium in the United Kingdom, it is perhaps safe to say that this concern will increase in line with the predicted growth rate of "new media" communications. No doubt the ASA will continue to seek an extension to its remit in order to further protect the public from irresponsible marketing regardless of the medium in which it is packaged.

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