



## COMMERCIAL

### Consumer Rights Directive

In a speech delivered to the European Parliament's Committee for the Internal Market and Consumer Protection (IMCO) on 2 March 2009, the European Commissioner for Consumer Protection, Meglena Kuneva, has done her best to allay concerns that have arisen since the European Commission published its proposals for a Consumer Rights Directive that would unite the four main pillars of Community consumer protection legislation in one harmonised framework instrument. Those concerns have centred for the most part around a perceived potential for the erosion of consumer rights in Member States, like the United Kingdom, that have ramped up current requirements under the existing framework of "minimum harmonisation" Directives to provide a higher level of protection for consumers. Such concerns, Ms Kuneva suggests, are misplaced as the proposals herald "new substantial consumer rights" whilst "existing ones are reinforced". To this extent, her speech addresses a number of points raised by the UK Department for Business (BERR) in its consultation on the proposed Directive.

The proposed Directive unites the Distance Selling Directive (97/7/EC), the Consumer Goods and Guarantees Directive (99/44/EC), the Unfair Contract Terms Directive (93/12/EEC) and the Doorstep Selling Directive (85/577/EC) with the aim of bringing consumer protection law into the 21<sup>st</sup> century whilst resolving some of the inconsistencies caused by the "minimum requirement" approach to harmonisation under the existing Directives. To this end, the new Directive will provide rules consistent throughout the European Union on the provision of pre-contractual information to consumers, information and withdrawal rights for distance and off-premises contracts, sales contracts and unfair terms in consumer contracts. It also redefines key terms in consumer legislation.

In November last year, BERR published a consultation paper on the proposed Directive. While it welcomed the initiative, BERR also made clear its concerns over the possible dilution of consumer rights in certain respects in the light of the United Kingdom's robust transposition of the existing Directives. Concerns focused in particular on the possible erosion of the

UK consumer's right to reject goods that do not conform to the contract.

Despite these issues, it is accepted broadly that a new harmonised measure is needed to remove the inconsistencies (caused by the minimum harmonisation approach in the existing Directives) in implementation of consumer protection law at national level, as well as ironing out inconsistencies across the texts of the Directives themselves. Moreover, aspects of the proposal as it now stands do deliver clearly on the Commission's promise to overhaul and upgrade consumer protection legislation. For example, the proposed Directive reverses the burden of proof in relation to B2C (business to consumer) contract terms listed as potentially unfair, so that the onus is on the trader to prove that the term is not unfair.

## INTELLECTUAL PROPERTY

### Online Copyright Infringement—Proposed Rights Agency

On 13 March 2009, the UK Government published a discussion paper entitled *Copyright in a Digital World: What Role for a Digital Rights Agency?* inviting views on the role such an organisation could play in protecting and promoting the legal use of copyright content online. As such, the discussion paper starts to put flesh on the bones of some of the recommendations made in Lord Carter's *Digital Britain: The Interim Report* published at the end of January this year. The Government's vision is that the rights agency, which at this stage is intended to be an industry owned non-regulatory body, together with the legislation proposed in Lord Carter's report, will "form an integrated approach to content online". The discussion paper therefore seeks to explore the potential benefits of a new agency and its impact in combating unlawful file-sharing and piracy. In particular it looks at the degree to which an agency could support industry efforts in developing new and attractive legal ways for consumers to access content, as well as supporting the legislation and seeking a solution to the problem of persistent infringement.

The discussion paper also provides further insight into the Government's thinking on how internet service providers (ISPs) might be required to deal with persistent infringers and also considers what role a rights agency could have in enabling

technical copyright support solutions which strike a balance between the needs of consumers and protecting content from infringing uses, to be developed. It also addresses the fundamental questions of whether the agency should be an independent industry body with the type of back-up legal powers held by the Office of Communications (Ofcom) and how the agency should be funded.

#### **PROPOSED LEGISLATION**

The Government's intention is to legislate to place on ISPs a specific obligation to notify alleged infringers of rights that their conduct is unlawful. Underpinning these obligations will be a requirement for ISPs and rights holders who want to trigger ISP obligations to comply with the code of practice to be approved by Ofcom. The code will set out detailed standards and requirements for compliance and at this stage the key issue is the extent to which the code should require ISPs to take further action against persistent infringers.

In this respect, the discussion paper sets out two options. The less attractive, should a rights agency not prove viable, being to legislate for the types of action the code should include and how they should be applied by ISPs.

The preferred option would be to allow the code to include measures that ISPs should take to restrict the network access of repeat infringers, such as protocol blocking and bandwidth capping, but leave it open to an industry body, *i.e.*, the rights agency approved by Ofcom, to specify exactly what, when and how. The discussion paper expresses a clear preference for this option on account of its flexibility. It suggests that such actions would not be limited to tackling unlawful peer-to-peer activity, but directed generally towards reducing the overall levels of online copyright infringement, taking into account changing behaviour and technology. However, should there be no agreement amongst the industry on the utilisation of such measures, it will be down to Ofcom to choose whether to impose them.

#### **DIGITAL RIGHTS AGENCY**

While the establishment of a rights agency "should be seen in close conjunction with the legislation", the discussion paper characterises the agency as "not all, or even primarily, about enforcement. Rather it is about enablement". The key components of its perceived role are the protection and the promotion of copyright material online. In this respect, it will sustain a commitment to educating the public about the consequences of unlawful use of copyright material. It is also suggested that an agency will facilitate negotiation and rights clearance as well as discussion around standards. It will also provide a forum for dispute resolution and for cross-industry dialogue. The agency is also seen as a prospective "gateway" to the legal remedies in the P2P legislation and it will have a central role in developing codes of practice around enforcement measures. It will also be key to developing policy and practice in relation to persistent infringers. How these aspects of its role

may be played out is set out in a "straw man" annex to the discussion paper.

#### **COMMENT**

The discussion paper is not intended to form the consultation on the specific legislative proposals for ISPs under the *Digital Britain: Interim Report*. That will come later. However, the responses to the discussion paper will help shape that consultation. As such, it is a valuable indication of the Government's thinking on how, in practical terms, its "light touch" legislation mandating ISP responsibility could be made to work. The Government's clear belief is that without a strong rights agency, that would not be possible. It warns that if it is not convinced that industry is willing or able to deliver an effective rights agency, it will consider alternative ways to approach the issue, ways that would obviously entail more prescriptive legislation. Nonetheless, the Government concedes that legislation could never solve entirely the complex problem of online piracy. The discussion paper is therefore a clear plea to both the communications industry and rights holders to engage in meaningful dialogue and commercial negotiations with realistic objectives in order to provide real alternatives to unlawful access to copyright material. The Digital Rights Agency is considered key to realising that objective.

#### **Trade Mark Applications for Shopping Centre Services**

Following the decision of Mr Justice Floyd in *Land Securities plc v Registrar of Trade Marks* [2008] EWHC 1744 (Pat), the UK Intellectual Property Office (IPO) has issued a practice amendment notice (PAN 01/09) stating that it will now accept trade mark applications for shopping centres, provided that the specification of services is clearly defined and falls within the scope of the High Court's guidance.

The decision in *Land Securities* focused on the bringing together of services within a shopping centre or mall as opposed to the bringing together of these services *per se*. The UK-IPO notes particularly that the shopping centre or mall in question could be virtual, as well as bricks and mortar.

The Court held that shopping centres do provide a service within the meaning of the Trade Marks Act 1994, but went on to consider whether a specification of services which refers to "other related services" (such as childcare, language assistance, car cleaning, restaurant and cinema services) without clearly identifying the other services would satisfy Rule 8(2)(b) of the Trade Marks Rules. The Court held that it would not.

Following the Court's guidance, the IPO gives the following as an example of a specification that it would accept:

*The bringing together for the benefit of others, of a variety of retail outlets, entertainment, restaurant and [other clearly*

*defined related services], enabling customers to conveniently view and purchase goods and make use of and purchase such services in a shopping centre or mall.*

In doing so, it emphasises that any specification that does not define clearly any related services that were claimed, would not be accepted as the Court had held such specifications to be too “broad and non-specific”.

## DATABASE RIGHT

### Extraction and Substantial Part

In *Apis-Hristovich EOOD v Lakorda AD* [2009] C-545/07 (unreported) the European Court of Justice (ECJ) has given a broad interpretation to the concept of “extraction” in relation to the scope of protection enjoyed by holders of *sui generis* right under the Database Directive (96/9/EC).

### BACKGROUND

The litigants in this case were two Bulgarian companies that marketed electronic databases for official legal data. *Apis-Hristovich* claimed that *Lakorda* unlawfully extracted or reutilised part of its modules, in breach of Article 7(1)(2) of the Database Directive. *Apis* claimed that the acts of extraction and re-utilisation carried out by *Lakorda* concerned not merely the texts of the documents contained in its modules, but also the data connected with those documents, such as references between the documents and the legal definitions of certain terms and concepts.

*Lakorda* denied the claim. It contended that its “*Lakorda legis*” system was the fruit of substantial, independent investment. It contended that in setting up its project it relied on its contacts with various national and European authorities and used publicly accessible sources and the official websites of national institutions and courts. This, *Lakorda* claimed, explained the great similarity of the contents of its modules with those of *Apis* and the presence of certain common features.

*Lakorda* also said that the great majority of editorial notes and hyperlinks in its system were derived from a personal concept based on an extremely detailed, systematic processing, classification and marking of the measures collected.

The national court considered the relevant provisions of the Directive. “Extraction” is defined in Article 7(2) as the permanent or temporary transfer of all or a substantial part of the contents of a database to another medium by any means or in any form.

The national court sought guidance on whether, in interpreting the terms “permanent” or “temporary” in the definition of extraction, it was necessary to apply a test based on the duration of the period of transfer or on the time during which

the extracted product was stored on another medium. The national court also sought guidance on whether, in order to determine if there had been an extraction of a substantial part, the quantity of data extracted from the modules in question should be compared with the quantity contained in *Lakorda*’s modules taken separately or, on the other hand, taken together. Finally, the national court wanted to know whether, for the purposes of determining if extraction had taken place, not only the databases as such should be compared, but also the computer programmes that managed them.

### ECJ DECISION

The ECJ noted that whilst the Directive itself attached no specific legal consequence to the permanent or the temporary nature of a transfer, the distinction between permanent and temporary was relevant to assessing the gravity of any infringement of the *sui generis* right or the scope of the reparable damage connected with such an infringement. The Court considered that the distinction between permanent transfer and temporary transfer lay in the duration of storage on another medium of materials extracted from the original database. The time at which extraction took place was the time at which the materials being extracted were placed on a medium other than that of the original database, independently of whether they were placed there permanently or temporarily. Moreover, the objective pursued by the act of transfer was immaterial for the purpose of assessing whether there had been an extraction (see *Directmedia Publishing GmbH v Albert-Ludwigs-Universität Freiburg* [2008] C-304/07). Likewise, any modifications made to the materials and any differences in the structural organisation of the databases concerned were immaterial.

Whilst the fact that the perpetrator of an alleged infringement had used an original software programme to manage its database might be relevant in the context of the Software Directive (91/250/EEC), it was not a factor in assessing the existence of extraction within the meaning of Article 7 of the Database Directive.

In interpreting “substantial part”, the ECJ held that where, as in this case, a database is composed of separate modules, the volume of the materials allegedly extracted and/or re-utilised from one of those modules must be compared with the total content of that module, if that module constitutes a database that attracts *sui generis* right protection. Otherwise, the comparison must be made between the volume of the materials allegedly extracted and/or re-utilised from the various modules of the database and its total contents.

The ECJ also held that the fact that the materials allegedly extracted and/or re-utilised were obtained from sources not accessible to the public might, according to the amount of human, technical and/or financial resources deployed to collect them, affect their classification as a substantial part, evaluated

qualitatively, of the contents of the database within the meaning of Article 7. The intrinsic value of those materials was not, however, a relevant criterion (see *British Horseracing Board Ltd v William Hill Organisation Ltd* [2004] C-203/02 ECR I-10415).

Finally, the Court held that the fact that the materials contained in Apis' legal information system were, by reason of their official nature, not eligible for copyright protection did not, as such, justify collection of those materials being refused classification as a "database". Consequently, the fact that all or part of the materials brought together in a collection of data were official and publicly accessible did not relieve the national court of an obligation to verify, in the light of all the relevant facts, whether that collection constituted a database capable of being protected by the *sui generis* right on the ground that a substantial investment, in quantitative or qualitative terms, was necessary to obtain, verify and/or present its overall contents. Similarly, the fact that the contents of the database consisted essentially of official materials did not relieve the national court of an obligation to verify, in order to assess whether an infringing extraction and/or re-utilisation has taken place, whether the materials extracted or re-utilised constituted a substantial part, quantitatively and qualitatively evaluated, of the contents of the database.

#### COMMENT

The Database Directive has made something of a comeback of late with two significant decisions confirming the broad scope of the concept of extraction within the *sui generis* right even if, post-*British Horseracing Board*, the scope of the right itself (in that it covers investment and obtaining of data but not its creation) is not as wide as the EU legislature had perhaps intended. Whilst the ECJ's assessment of the concept of substantial part in this latest case remains within that context, those who invest time and money collating data will be relieved to hear that the rights they may have in the end product are not further undermined insofar as they are not determinable according to how they exploit their database commercially or the status in law of the material of which it is constituted.

## COUNTERFEITING & PIRACY

### Simplified Customs Procedure and Penalties in the Anti-Piracy Regulation

On a reference from the Latvian Supreme Court in relation to *Schenker SIA v Valsts ieņēmumu dienests* [2009] C-93/08 (unreported), the European Court of Justice (ECJ) has ruled that initiation, with the agreement of an intellectual property right holder and of the importer, of the simplified procedure laid down in Article 11 of the so-called Anti-Piracy Regulation (1383/2003/EC) does not mean that customs authorities cannot impose a "penalty" within the meaning of Article 18 of the Regulation. "Penalty" includes sanctions such as an

administrative fine on the parties responsible for importing the suspected counterfeit goods into the Community customs territory.

#### LAW

Article 9(1) of the Regulation provides that a customs official has the right to suspend release of goods or detain them so that it can be established whether there was an infringement of intellectual property rights. Article 11 provides for a simplified procedure allowing the right holder, with the agreement of the declarant, the holder, or the owner of the suspected goods and under the control of the customs authorities, to have those goods destroyed, without there being any obligation to initiate proceedings to establish whether an intellectual property right has been infringed. Article 18 simply provides that "[e]ach Member State shall introduce penalties to apply in cases of violation of this Regulation. Such penalties must be effective, proportionate and dissuasive".

#### FACTS OF THE CASE

Schenker, a customs agent, in its own name and on behalf of the consignee of the goods, Rovens SIA, released for free circulation goods bearing a third party trade mark. On 16 February 2005, while carrying out a customs inspection on the imported goods, the Riga Customs Office suspected that the goods were counterfeit. The goods were detained and samples sent to the trade mark owner.

On 1 March 2005, the trade mark owner informed the customs authorities that they were in discussions with Rovens concerning the possibility of applying the simplified procedure for the destruction of the goods and requested the authorities to extend the period for detention of the goods by 10 days. On 3 March 2005, the trade mark owner informed customs that the samples established that the goods were counterfeit. On 4 March 2005, the trade mark owner and Rovens reached an agreement concerning the destruction at Rovens' expense of the goods in question. That agreement was sent to the customs authorities on 11 March 2005. On 1 April 2005, customs drew up a certificate of administrative offence in which they held that Schenker, in its role as "declarant", had infringed Articles 9 and 16 of the Regulation. Relying on the opinion sent by the trade mark owner on 3 March 2005, they held that Schenker had committed an "infringement" under the Latvian Code of Administrative Offences and imposed a fine of LVL 500 on the company.

#### REFERENCE TO THE ECJ

Schenker challenged the fine before the Latvian courts. On appeal, the Latvian Supreme Court decided to refer the case to the ECJ for guidance on whether the initiation, with the agreement of the intellectual property right holder and of the importer, of the simplified procedure laid down in Article 11 deprived the competent national authorities of the power to impose, on the parties responsible for importing those goods

into the Community customs territory, a “penalty”, within the meaning of Article 18.

#### **ECJ DECISION**

The ECJ held that the initiation of the simplified procedure under Article 11 could not deprive the authorities of those States of the power to impose a “penalty” within the meaning of Article 18. The destruction of the goods following an optional procedure, subject to an agreement between the trade mark proprietor and the importer, could not be considered as a penalty imposed by a national authority pursuant to Article 18.

#### **COMMENT**

The practical significance of the ECJ’s judgment is that there might now be a disincentive for those dealing in potentially infringing goods to settle matters through the simplified procedure, knowing that they are likely to be fined anyway.

## **TRADE MARKS**

### **Genuine Use Attack on Mark in the IT Sector**

The Appointed Person sitting on an appeal from the Trade Marks Registry in relation to BL O-306-08: TIME MACHINE, has upheld a Hearing Officer’s decision that use by Apple of its TIME MACHINE mark during a 17-day period at the end of the five-year period prior to Aikman’s application was sufficient to establish genuine use of the mark.

#### **BACKGROUND**

Apple held a series of two UK trade mark registrations for TIME MACHINE and TIME/MACHINE in respect of computer software. The TIME MACHINE mark was registered on 14 March 1997, but Apple only acquired it on 20 October 2006. On 7 November 2006, Aikman applied for the revocation of the mark on the basis that it had not been used between 6 November 2001 and 6 November 2006.

There was no evidence that the previous owner had used the mark between 6 November 2001 and the acquisition of the mark by Apple. Accordingly, in order to preserve the mark, Apple had to establish that it had used the mark in the 17 days immediately after its acquisition. Apple submitted evidence that it had used the TIME MACHINE mark in relation to a data backup and restoration tool within its Mac OS X Leopard Operating System, which was pre-loaded onto all Mac computers. It also relied on the establishment of a new website highlighting the TIME MACHINE software, submitting evidence of 424,500 page views by 241,699 unique visitors originating from the United Kingdom between 20 October 2006 and 6 November 2006. Further, Apple provided evidence that the Leopard Early Star Kit (which included the TIME MACHINE feature) was made available to software developers on 23 October 2006 and that 113 copies had been sold in the United Kingdom by 15 December 2006.

The Hearing Officer found that there had been use of the mark during the relevant period and that Aikman’s application for revocation should be rejected. He accepted that a substantial number of hits to the website had originated from the United Kingdom, indicating a level of recognition of the mark within the United Kingdom. Furthermore, he held that since the preview site was a dedicated website and not a part of Apple’s main website, visitors were likely to have landed there as a result of a specific search. The Hearing Officer accepted that, although Apple had only acquired the mark a few days before the end of the relevant period, the software had already been written and Apple’s use of the mark prior to its acquisition had enabled it to “hit the ground running” with regard to use within the relevant period. Although Apple had not been able to identify the number of sales of software to developers prior to its official launch, which had taken place within the relevant period, the Hearing Officer concluded that it was highly likely that at least some of the sales of the software would have been made in the relevant period.

Aikman appealed to the Appointed Person on the ground that the Hearing Officer had wrongly interpreted the evidence and that the marks did not meet the requirements for genuine use.

#### **APPOINTED PERSON’S DECISION**

Following the European Court of Justice decision in *La Mer Technology Inc v Laboratoires Goemar* [2004] 259/02 FSR 38, the Appointed Person held that even minimal use can be sufficient to qualify as genuine, on condition that it is deemed justified, in the economic sector concerned, for the purpose of preserving or creating market share for the goods or services protected by the mark.

The Appointed Person found that the Hearing Officer had been correct to consider the fact that Apple had been developing the software prior to acquiring the mark. The pre-acquisition use of the mark was relevant because it had enabled Apple to make genuine use of the mark as soon as it was acquired.

The Appointed Person pointed out that the Hearing Officer had misunderstood that the website had been a special website relating to the TIME MACHINE software, rather than a separate area within Apple’s main website. Further, the Appointed Person found that the evidence relating to the website showed merely awareness of the mark rather than use of the mark, holding that unless it could be established that Apple had loaded the webpages during the relevant period, it could not be shown that they had used the mark in that period. However, the position was analogous to an advertiser placing an advertisement on a billboard prior to the relevant period. Provided that the advertisement remained in place during the relevant period and was visible to viewers, the Appointed Person could see no reason why that would not constitute genuine use during that period. However, the Appointed Person held that there was insufficient certainty that the pages

visible to viewers during the relevant period were the same pages submitted into evidence that included references to the mark. Accordingly, the Appointed Person concluded that the evidence relating to the website did not establish genuine use of the mark during the relevant period.

The Appointed Person found that at least some of the pre-launch sales copies would have been purchased at the earliest opportunity by software developers. Noting that there was no minimum threshold, the Appointed Person held that a small number of sales could constitute genuine use of a mark and the fact that there would have been some sales during this period was sufficient.

#### **COMMENT**

The Appointed Person's ruling provides guidance on issues surrounding genuine use attacks on marks in the IT sector. Significantly, pre-acquisition use of the mark made by Apple was taken into account in determining genuine use of the mark. Further, the ruling affirms that use of a sub-brand, even if not visible at the point of sale, can constitute genuine use.

#### **Unregistered Earlier Right Opposition**

A Trade Marks Registry decision, rejecting an opposition to the registration of a trade mark, has been overturned following an appeal supported by substantially inconsistent evidence (*DARKNESS VISIBLE (The Sacred Trust's Opposition)* [2009] BL O-037-09).

#### **BACKGROUND**

Mr Heaven applied to register *DARKNESS VISIBLE* in respect of, *inter alia*, "Arranging and conducting workshops" in Class 41. Mr Buxton, trading as The Sacred Trust, opposed the mark on the basis of an earlier unregistered right by virtue of the law of passing off, stating that the Sacred Trust promotes a workshop called "Darkness Visible", where delegates spend five days in darkness in order to hone their senses.

Mr Buxton submitted that he had used the mark since January 2003. It was clear from the evidence that Mr Heaven had worked with Mr Buxton on the "Darkness Visible" workshops and that their collaboration ended at some point in 2005. Mr Heaven, however, gave evidence that he had used *DARKNESS VISIBLE* since the late 1990s and that Mr Buxton and The Sacred Trust had only used it for the duration of three workshops and at his invitation.

Each party accused the witnesses of the other of lying in their written evidence. One of the witnesses, whose statement was used by Mr Heaven, even alleged that it was a forgery based on a witness statement which she had given on behalf of Mr Heaven in an unrelated family law matter.

#### **APPOINTED PERSON'S DECISION**

Mr Hobbs QC was sceptical about the value of much of the evidence.

Although the hearing officer had referred to the decision in *BRUTT Trade Marks* [2007] RPC 19, he did not follow the decision's advice that conflicting witness testimony should always be tested by reference to independent documentary evidence.

In fact, this was a case in which the structured approach to assessment outlined in *BRUTT* needed to be applied with close attention to detail. It appeared to Mr Hobbs QC that an assessment conducted on that basis would have resulted in the rejection of Mr Heaven's claim in favour of Mr Buxton. That was because The Sacred Trust was entitled to claim the trade mark on the basis of its use in commerce since January 2003 and the evidence put forward in support of Mr Heaven's claim was so seriously open to doubt as to provide no reliable basis for a finding in his favour.

## **PATENTS**

#### **The "Experimental Use" Defence**

The judgement in *CoreValve Inc v Edwards Lifesciences* [2009] EWHC Pat 6 provides interesting guidance on the little used defence of "experimental use" under Section 60(5)(b) of the Patents Act 1977. Section 60(5)(b) provides that an act shall not constitute an infringement if done for "experimental purposes relating to the subject matter of the invention."

#### **BACKGROUND**

CoreValve Inc applied for revocation of Edwards Lifescience's European Patent No 0592410 on the grounds of anticipation, obviousness and insufficiency. Edwards counterclaimed, alleging that CoreValve's "Revalving" system infringes its patent. The patent involved artificial valves for implantation in the human body, typically to replace a defective natural heart valve.

CoreValve countered by denying that its product falls within the scope of the patent's claims, even if valid and, moreover, it argued that its supply of the Revalving system was for "experimental purposes".

#### **EXPERIMENTAL USE DEFENCE**

The patent was found to be valid but not infringed by CoreValve's Revalving system and so the experimental use defence was rendered moot, but it was nevertheless addressed on the hypothetical assumption that CoreValve's device falls within the patent's claims.

The purpose of this defence is to encourage scientific research while protecting the legitimate interests of the patentee.

The relevant statutory phrase recites "acts done for experimental purposes". A difficulty arose in this case because the Defendant had mixed purposes. On the evidence, the court held that CoreValve's purposes were threefold: i) to establish

confidence in their product within the relevant market; ii) to generate immediate revenue of a substantial character; and iii) to gain information about clinical indications and, possibly, future modifications to be made to the physical structure of the device in the light of experience.

#### **THE DECISION**

The court acknowledged that the experimental use cannot be rebutted merely because a defendant has a commercial purpose, but on the other hand there must be some limit to the application of this defence. So the question of whether generating revenue was an “immediate purpose” of the Defendant should be taken into account. In particular, the court rejected the extreme proposition that, as long as one of the Defendant’s purposes was to generate information of scientific or technical value, it was irrelevant that another of its purposes was, as the court phrased it, “to generate ready cash”.

The Deputy Judge in this case confessed that he had not found the experimental use defence easy to deal with and he concluded that “[t]here may be no help for it but to consider the Defendant’s preponderant purposes”.

The court did not find that generating information of scientific or technical value was CoreValve’s preponderant purpose and the defence was found to be invalid.

#### **Excluded Subject Matter: “Technical Contribution”**

In both cases in *AT&T Knowledge Ventures LP and CVON Innovations Ltd* [2009] EWHC 343 (Pat), Mr Justice Lewison dismissed the appeals, upholding the earlier decisions that the inventions claimed methods of doing business as such and failed to make a technical contribution to the known art. The cases revisit the issue of the scope of excluded subject matter, considered by the Court of Appeal in *Aerotel and Macrossan* [2007] RPC 7 and *Symbian Ltd v Comptroller-General of Patents* [2009] RPC 1.

#### **BACKGROUND AND THE COURT’S APPROACH**

Lewison J made a number of observations relating to the UK-IPO’s use of the four-step “Aerotel/Macrossan test”, particularly that assessing contribution involved asking what the inventor has added to the general knowledge.

In *Symbian*, Lord Neuberger, seeking to reconcile the approach in *Aerotel* with that of the European Patent Office (EPO), said that the question of patentability had to be resolved by answering whether it makes a “technical contribution” to the state of the art and whether that lies solely in excluded matter.

#### **AT&T’S APPLICATION**

AT&T’s application related to a “content broker hosting service system”, which acts as an intermediary between users and suppliers of digital content. The invention claimed to solve the problem of decoding or displaying digital content using a “device profile table” that specifies the functionality and

capability of various user devices. The content is then relayed to the digital content supplier, which will only supply content that operates on the user’s device.

In dismissing the appeal, Lewison J noted that the hearing officer had said that the inventive contribution fell within the area of excluded matter because it did little more than supply a “more comprehensive list of information about the devices which the user owns...” The contribution did not cause the computer to operate in a technically novel way in processing information about the devices.

The invention enabled the supplier to sell digital content in an appropriate, workable format to the user so was merely a “method of doing business” and therefore unpatentable.

#### **CVON’S APPLICATION**

CVON’s application claimed a messaging system that modifies messages (e.g., by adding an advertisement) sent between transmitting and receiving terminals according to the membership of the user of a “group”, such as a supermarket loyalty scheme or online community.

CVON identified the problem as being time lags between subscribers joining a group and enjoying its advantages. The solution offered by the invention updates a group membership records database on the third party server in response to a log-on attempt of its subscribers. As a result, the subscriber, rather than the third party, initiates updates to and authentication of group membership data.

The hearing officer and Lewison J considered that the invention resulted in an improved business method: a better way of using a conventional message modification system to modify message content on the basis of subscribers’ records.

#### **COMMENT**

In both AT&T & CVON’s applications, the claimed invention did not make the computer work in a new or different way and fell completely within the excluded subject matter.

There is a lack of consistency across national and EPO jurisprudence relating to “technical” subject matter and the concept of “technical contribution”. In October 2008, the president of the EPO referred questions regarding the patentability of computer programs to the EPO Enlarged Board of Appeal to provide clarification in relation to computer programs.

## **ADVERTISING & MARKETING**

#### **CAP and BCAP Codes Review**

In March 2009, the Committee of Advertising Practice (CAP) and its broadcast equivalent, BCAP, published separate

consultations on the codes regulating broadcast and non-broadcast advertisements. These set out proposals for change in a number of key areas. One fundamental change will be the creation of a single broadcast code to replace the existing broadcast advertising codes. Other proposed changes include:

## CHILDREN

- A scheduling restriction to prevent adverts for age-restricted computer games from appearing around programmes made for children.
- Preventing marketers from knowingly collecting data from under 12s about themselves, without obtaining the consent of their parent or guardian.

## HEALTH

- Relaxing the watershed restriction on condom advertising.
- Imposing strict rules on food product claims. Marketers will be required to hold documentary evidence for claims that their food product benefits health.
- Prohibiting claims that state or imply that health could be affected by *not* consuming a food.

## CONSUMER PROTECTION

- Marketing communications must not exaggerate the capability or performance of a product; claims must be based on normal use.
- Advertisements must not describe that an element of a package is “free” if it is included in the package price.

## SALES PROMOTIONS

- Promoters will be required to specify the number and nature of prizes or gifts.
- The distinction between prizes and gifts is clarified: “items offered to a significant proportion of consumers in a promotion should be described as gifts, not prizes...”
- Promoters of instant win promotions must ensure that the process of allocating prizes has been verified by a suitably independent party to be secure, fair and random.

## ADVERTISING CONTENT

- Advertisements must be distinguishable from editorial content.
- The use of a title, logo, set or music associated with a programme broadcast on television needs special care.
- In both cases, the audience should recognise quickly that the message is an advertisement.

## MISLEADING ADVERTISING

Price offers have misled consumers due to advertised prices not being available. It is therefore proposed that

- Price claims using “up to and “from” must not exaggerate availability.
- Adverts may compare prices with a recommended retail price if it does not differ significantly from the price at which the product is generally sold.
- Broadcasters must be satisfied that advertisers have made a reasonable estimate of demand.

## DISTANCE SELLING

It is proposed that broadcasters must be satisfied that

- If the advertised product becomes unavailable and advertisers intend to supply substitute products, those advertisers tell consumers.
- If the consumer cancels within seven days of receiving the goods, an advertiser will give a refund within 30 days,

## COMMENT

The proposals in the consultation papers, though wide ranging, do not reflect any fundamental change of policy. Many are driven by new or existing legislation.

## ASA Adjudication Against Midasplayer.com t/a King.Com

The Advertising Standards Authority (ASA) adjudication against Midasplayer.com trading as King.com (18 February 2009) relates to King.com’s television advertisement promoting its online games of skill service. Because King.com’s website included a link to a separate website for the gambling site RoyalGames.com, the ASA found that the two websites were interlinked and thus breached a host of rules of the Broadcasting Committee of Advertising Practice (BCAP) Code relating to scheduling restrictions and misleading advertising and children.

## THE ADVERTISEMENT

The advertisement showed a woman playing online games. A cartoon woman’s head was shown against a pink background with white stars and the text “#1”. The player stated “I’ve done it again, I’ve won. Yes!” She then threw her hat into the air and opened her arms and a 20 pence piece flipped in the air and fell in her hand. Extracts of other games were shown and text stated “Up to £30,000 jackpots”.

## COMPLAINTS

A viewer was concerned that the advert, which she understood was for a gambling product, was likely to be of particular appeal to children. The ASA investigated whether the advert was misleading and exploited the susceptibilities, aspirations and credulity of children.

## RESPONSE

Midasplayer.com said that the advert was not for gambling or gaming as defined by The Gambling Act 2005 because the games on King.com were restricted to games of skill and that

the restrictions on gambling ads should not therefore apply to this particular advert.

Clearcast was concerned by the inclusion of the adverts for RoyalGames.com on the King.com homepage. It applied the appropriate timing restriction for gambling products such that the advert should not be advertised in or adjacent to children's programmes or programmes commissioned for audiences below the age of 18.

#### **DECISION**

The ASA accepted that King.com was a skill only gaming site but found that its homepage link to RoyalGames.com presented the gambling site as a subsection of King.com. Despite the barrier between the two sites, which advised players they were entering a licensed gambling site, the ASA believed the two companies were interrelated.

The ASA found that the overall impression young viewers were likely to take from the advert was that the King.com product was suitable for them, not only to play games for free but also to win money. The advertisement therefore exploited misleadingly their susceptibilities, aspirations and credulity and raised unrealistic expectations with regards to winnings.

#### **COMMENT**

This adjudication should serve as a warning that the ASA does not take its eye off the ball when it comes to strict enforcement of Code rules on gambling, despite a hitherto excellent overall compliance rate for the gambling industry and its advertisements. Advertisers should be aware that when the advertisement is one "completely interrelated with gambling and gaming products" by virtue of homepage links, any attempt to avoid restrictions will be spotted and brought to the attention of the authorities.

#### **ASA Adjudication Against Wm Magners Ltd**

Wm Magners Ltd and Clearcast both considered a television advertisement for Magners draught cider compliant with the advertising rules for alcohol for various reasons. In an Advertising Standards Authority (ASA) adjudication against Wm Magners Ltd (25 February 2009), the regulator disagreed, saying that the advertisement breached the Code by suggesting that alcohol would boost confidence and lead to the success of a social occasion.

#### **THE ADVERTISEMENT**

The television advertisement for Magners cider showed a man walking into a pub and a pint of Magners being poured. The voice-over stated "Magners Draught Cider. It's the perfect ice breaker. Making sure the conversation flows, in the time it takes to create a cool, crisp pint. No ice, just pure, premium taste. Magners Draught Cider, time dedicated to you". At the end of the advertisement, the man picked up the pint and turned to talk to a group of friends.

A viewer objected that the advertisement breached the Code by suggesting Magners would boost confidence and lead to the success of a social occasion contrary to Rules 11.8.1(a) and (e) of the Broadcasting Committee of Advertising Practice (BCAP) TV Advertising Code.

#### **RESPONSE**

Wm Magners argued that the advertisement did not portray Magners as boosting a person's confidence or leading to any success in a social situation. It believed the setting to be relaxed, consistently slowly paced, not excitable in any way and typical of any advertisement where the product is used in a social setting. Wm Magners' statement that "It's the perfect ice breaker" was, it said, a play on words used to reference the fact that the draught variant of Magners had no ice, unlike the normal pint bottle serving of Magners. It also argued that the line "Making sure the conversation flows" was a visual pun on the word "flows" as the apples were shown flowing. Clearcast accepted Wm Magners' arguments regarding the play on words and the visual pun. It also considered that the social setting was neither created, nor improved, by the cider.

#### **DECISION**

The ASA's main issue was with the timing of the voice-over claims in relation to the image of the man entering the room to join the group. Because the claims came just at the moment when the conversation between the group began to flow, the ASA considered that there was a clear implication that drinking Magners could help start a conversation in a social setting and help the conversation flow, thereby leading to the success of a social occasion.

#### **COMMENT**

The decision demonstrates that, regardless of the absence of clear contraventions of the alcohol advertising rules such as sexual innuendo and reward, seemingly innocuous scenes can portray alcohol as key to social success. The advertiser must note the ASA's stringent rules regarding alcohol and scrutinise every aspect of its advertisement with that in mind.

## **DATA PROTECTION**

### **Database of Construction Workers**

The Information Commissioner's Office (ICO) has for the first time ever issued an Enforcement Notice under the Data Protection Act (DPA) 1998 with a seven day compliance condition. The recipient, Mr Ian Kerr, trading as the Consulting Association, was raided by the ICO following an article published in *The Guardian* which referred, amongst other things, to the blacklisting of trade union activists in the construction industry. The ICO's investigation revealed that, for over 15 years, Mr Kerr had been running a database of construction workers used by over 40 construction companies, which subscriber firms, some of them household names in the industry, could consult before deciding whether to offer an

individual employment. The database contained personal information, including sensitive personal data such as individuals' trade union activity.

#### **INVESTIGATION**

The allegations against Mr Kerr were that contractors in the construction industry would send a list of the names of potential staff to the Consulting Association, which would then advise the contractors of information that it held in relation to those named. The contractor would then make a decision whether or not to employ that individual partly on the basis of that information.

On 23 February 2009 a warrant, granted under Schedule 9 of the DPA, was executed at Mr Kerr's premises. A search revealed a database and pages of information such as names, dates of birth, national insurance numbers, locations and trades. It also contained personal data relating to an individual's union activity and his employment conduct, together with any information relating to whether the individual may pose a threat to the industrial relations between an employer and its employees.

#### **DATA PROTECTION BREACH**

Section 4(4) of the 1998 Act provides that, subject to Section 27(1), it is the duty of the data controller to comply with the data protection principles in relation to all personal data with respect to which he is the data controller. The relevant provision in this case is the First Data Protection Principle, which states essentially that personal data must be processed fairly and lawfully. In the Information Commissioner's view, Mr Kerr contravened the First Data Protection Principle in that, amongst other things, he had processed personal data unfairly by failing to provide the individuals with the standard information required by the Act of a data controller, such as his identity and the purpose for which the data is intended to be processed.

Moreover, information as to whether an individual is a member of a trade union is "sensitive personal data" under Section 2(d) of the Act. In addition, the Commissioner considered that none of the conditions for processing in Schedules 2 and 3 of the Act had been met as required by the First Data Protection Principle.

#### **SPECIAL CIRCUMSTANCES**

Such were the circumstances of this case that the Commissioner considered that the notice should be complied with as a matter of urgency under Section 40(8) of the Act. The Commissioner argued that it was likely that Mr Kerr and/or his subscribers would continue to use the database and thus process the personal data specified in the Enforcement Notice to the continuing detriment of the individuals on the database. The Commissioner acknowledged that, as the processing had apparently been going on for many years, it might appear difficult to justify action under the urgency provisions. Nonetheless, in the light of the nature of the

personal data, the Commissioner believed that if Mr Kerr continued to provide it to employers there was a very significant risk that this would cause some individuals to be denied employment on the basis of adverse information of which they were unaware and which they were unable to challenge.

#### **COMMENT**

If he does not comply with the Enforcement Notice Mr Kerr could face prosecution and possibly be fined, although any penalty that might be imposed is likely to be less than would be the case if the new powers to fine under Section 55A of the DPA had been in force. Not surprisingly, the ICO is considering what regulatory action to take against those construction firms that had been using Mr Kerr's system.

In a 6 March 2009 press release announcing the action against Mr Kerr, Deputy Information Commissioner, David Smith, takes the opportunity to "remind business leaders that they must take their obligations under the Data Protection Act seriously. Trading people's personal details in this way is unlawful and we are determined to stamp out this type of activity".

## **MEDIA**

### **Front Page Stories Don't Necessarily Warrant Front Page Apologies**

Following a publication, in breach of the Editor's Code, which claimed that Peaches Geldof charged a fee to attend parties and implied that she provided and charged for sexual services, *The Daily Star* offered to publish an apology on page 2 or page 5 of its newspaper.

#### **THE COMPLAINT**

Peaches Geldof objected to the inaccurate claims on the front page of *The Daily Star* that she received payment from people "desperate for her company" and that she and "her girlie pals rake in the mega-bucks fees for providing their services at A-list parties". It was argued that the fact that the newspaper had decided to give over an entire front page to the story must mean that it was making allegations of a highly scandalous nature (i.e. Ms Geldof was connected to the sex industry, rather than that she merely attended parties).

Ms Geldof also complained that an article on page 5 contained the inaccurate claim that she was paid £5,000 merely to attend A-list parties when in actual fact she was only paid for her performances as a DJ.

There were further complaints about the article and its headlines "Peaches & Dream" and "Hire Geldof babe or her pal for just £5k a night" because of the accompanying lingerie photographs of Ms Geldof which suggested wrongly that the claims had a sexual nature.

### **SUFFICIENT REMEDIAL ACTION OFFERED?**

*The Daily Star* was willing to publish an apology on page 2 or 5. However, Ms Geldof argued it should be published on the front page. It was submitted that the Press Complaints Commission has previously accepted the principle that front page stories warrant front page apologies on the basis that millions of people see only the front page.

### **PCC'S DECISION**

In Press Complaints Commission adjudication: *Peaches Geldof v Daily Star* (16 March 2009), the Commission agreed with the Complainant that Clause 1 (Accuracy) of the Code had been breached because the newspaper had wrongly claimed that the Complainant received money for "showing up" to parties. In addition, the Commission considered that the deliberately suggestive headline was likely to mislead some readers.

Ultimately, however, the Commission did not consider that it was necessary for the apology to appear on the front page. It said that the front page did not contain any specific claims about the "services" offered by the Complainant. The Commission also said that the inside article did not suggest that the services were in any way sexual and made clear that they related to non-controversial entertainment at parties. As the front page article did not carry a specifically inaccurate claim and as the main inaccuracy was on page 5, the decision to locate the apology on page 2 was proportionate.

## **DOMAIN NAMES**

### **"Foreign" Registrations**

In *Hit Entertainment Ltd v Robert Steinegger* [2009] D2008-1753 WIPO, the World Intellectual Property Organization (WIPO) panel ordered the transfer of the domain names bobthebuilder.asia and thomasthetankengine.asia to HIT Entertainment, in spite of its having adduced no evidence of any rights to the names in Asia. The panel held that identical trade mark rights, *anywhere in the world*, (author's emphasis) were a sufficient basis on which to found a complaint.

### **BACKGROUND**

HIT Entertainment is the proprietor of the rights to Bob the Builder and Thomas the Tank Engine, which include numerous trade marks and domain names.

On 27 March 2008, Robert Steinegger registered bobthebuilder.asia and thomasthetankengine.asia. One month later, both domain names were listed for sale on a website inviting offers addressed to Mr Steinegger. The domain names themselves resolved to Sedo parking sites, advertising various goods and services, including Thomas the Tank Engine merchandise.

On 13 November 2008, HIT filed a complaint with WIPO under the Uniform Domain Name Dispute Resolution Policy

(UDRP), on the grounds that the domain names were identical to marks in which HIT had rights, Mr Steinegger had no legitimate interest in the domain names and they were registered and used in bad faith within the meaning of paragraphs 4(b)(i) and 4(b)(iv) of the UDRP. This, HIT claimed, was evidenced by the fact that the domain names were listed for sale so soon after registration and resolved to a Sedo "pay-per-click" website.

Mr Steinegger had until 10 December 2008 in which to file a response. On 11 January 2009, Mr Steinegger filed a response by email out of time and HIT responded to it on 12 January 2009.

In his late response, Mr Steinegger argued that he had registered the domain names for his two year old son and asserted that this was a legitimate reason for registration. He denied that he had ever received any pay-per-click revenue from Sedo, or that he had ever intended to exploit the domain names commercially.

### **DECISION**

The panel found that the absence of rights in Asia was irrelevant. For the purposes of the UDRP, HIT had to establish that it had valid and subsisting rights somewhere in the world and it had done so successfully. In determining whether the domain names were identical or confusingly similar to trade marks in which HIT had rights, the panel was permitted, under paragraph 4(a)(i) of the UDRP to disregard the .asia suffix and, accordingly, it held that the domain names were identical to the marks in which HIT had rights.

Having claimed that he purchased the domain names in order to set up websites for his son, Mr Steinegger was unable to explain why he had listed the domain names for sale. The panel therefore found that the domain names had been registered in bad faith and should be transferred to HIT accordingly. Mr Steinegger was also unable to produce any documentary evidence supporting his stated intention for registering the domain names. As a result, the panel concluded that he had no legitimate right or interest in the domain names.

### **COMMENT**

Although it is unlikely to have altered the outcome of this case, it is interesting to note that Mr Steinegger's response to HIT's complaint was considered despite its being submitted over a month after the deadline for its receipt by WIPO.

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