



PATENTS

Pilot Drilling Control Ltd v Smith International Inc: UKIPO Refuses Request for Confidentiality

In *Pilot Drilling Control Ltd v Smith International Inc* BL O/046/11, the UK Intellectual Property Office (UKIPO) has refused a request for confidentiality in respect of proceedings regarding the ownership of a patent. There was not a real risk of harm from disclosure, whether in the form of direct commercial damage or by inhibiting a party from putting forward their best case.

BACKGROUND

The Claimants brought a reference seeking determination of questions of inventorship and ownership in respect of a UK patent granted to the Defendants. The Claimants subsequently made a request for confidentiality under Rule 53 in respect of their own statement, its annexes (except for the patent), and all further documents filed at the UKIPO in the proceedings. As an alternative, they sought an order that the relevant documents could be redacted. The Defendants originally opposed the request but then withdrew their opposition.

DECISION

The hearing officer referred to paragraph 3.37 of the IPO Hearings Manual, which refers in particular to the guidance given by the Court of Appeal in *Lilly Icos Ltd v Pfizer Ltd* (No2) [2002] 1 WLR 2253 and by the Patents Court in *Diamond Shamrock Technologies SA's Patent* [1987] RPC 91. The hearing officer pointed out that very good reasons are required for departing from the normal rule of publicity. A simple assertion of confidentiality, even if supported by both parties, will not suffice. Good reasons might comprise direct commercial damage or the indirect effect of inhibiting a party from putting forward their best case.

The hearing officer was clear that there was no justification for a total blanket of confidentiality over the whole proceedings. The Claimants' argument was that the parent companies of both the parties would suffer reputational damage if the proceedings were to become public. In this regard, they alluded to their respective reputations for vigorous enforcement of their intellectual property rights. While the hearing officer

did not appear to doubt the Claimants' assertion that the parties' reputations would be affected, he said that if there had been a risk of particularly serious harm he would have expected the Defendants to do rather more than simply say that they were withdrawing their opposition to the confidentiality request. Moreover, no argument had been put forward that refusing to grant the request might cause one or other party to feel constrained to hold back from relevant or potentially relevant issues. On the contrary, the Claimant appeared prepared to go ahead even if the confidentiality request was refused.

For various reasons, subject to a minor concession, the hearing officer also refused the alternative request for redaction. For example, the majority of the redactions requested were aimed at preventing public identification of the parties as well as the patent in dispute, whereas this information was already in the public domain since it was contained in the Patents Form which, under Rule 53, could not be afforded confidentiality.

With regard to the annexes, the hearing officer concluded that the Claimants were less concerned about the sensitivity of particular details than they were to keep information about the proceedings in general from being made public.

Does "Reconditioning" Amount to "Making" The Product? *Schütz (UK) Ltd v Werit (UK) Ltd*

BACKGROUND

In *Schütz (UK) Ltd v Werit (UK) Ltd* [2011] EWCA Civ 303, the Court of Appeal of England and Wales has ruled upon whether "reconditioning" amounts to "making" the product within the meaning of Section 60(1) of the Patents Act 1977. *Schütz Ltd*, the exclusive licensee of a patent for a product consisting of a bottle fitted inside a cage, appealed against Mr Justice Floyd's dismissal of its infringement claim against *Werit*, which manufactured its own bottles, designed to fit *Schütz's* cages. *Werit* cross-appealed the judge's finding that the patent was valid.

DECISION

Noting that Section 60(1)(a) was a "pointless re-write" of Article 25 of the Community Patents Convention (CPC), Jacob

LJ set about answering the question “did the act of putting a bottle into a Schütz cage, constitute ‘making a product which is the subject-matter of the patent’ within the meaning of Article 25 of the CPC?”

Both sides sought to rely on the House of Lords decision in *United Wire v Screen Repair Services* [2001] RPC 24. In the view of Floyd J at first instance, that case established that the correct approach was to ask whether, when the part in question was removed, what was left embodied “the whole of the inventive concept of the claim”. The first instance judge went on to hold that in the current case it was the cage that embodied the whole of the inventive concept of the claim. Hence, he reasoned, putting a new bottle into a cage was not “making” the patented article. According to Schütz, however, the first instance judge was wrong. In this respect the dispute focussed on the following passage of Aldous LJ’s ruling.

It is... better to consider whether the acts of a defendant amount to manufacture of the product rather than whether they can be called repair, particularly as what could be said to be repair can depend upon the perception of the person answering the question. Even so, when deciding whether there has been manufacture of the product of the invention, it will be necessary to take into account the nature of the invention as claimed and what was done by the defendant.

Agreeing with Schütz, Jacob LJ rejected Werit’s submission that the last sentence brought in by implication the “whole of the inventive concept test”. In Jacob LJ’s view, if that were the case, Aldous LJ could not have gone on to conclude as follows:

To characterise the work done by Screen Repair as repair does not in my view decide the issue of whether they had manufactured the product of the invention. In the present case Screen Repair reconditioned or repaired a frame made by United Wire and re-used it to make an assembly as claimed in claim 1. That in my view amounted to infringement.

Jacob LJ held that the same reasoning applied in this case. He held that fitting Werit bottles into Schütz cages was making the product which fell within the patent.

All of Werit’s invalidity attacks against Schütz’s patent failed.

TRADE MARKS

Non-UK Website Infringement of UK Trade Marks

BACKGROUND

In *Yell Ltd v Louis Giboin* [2011] EWPC 9 the Patents County Court found that use of the word mark TRANSPORT YELLOW PAGES and the “walking fingers” logo on a non-UK website infringed Yell Ltd’s well-known registered trade marks in the United Kingdom.

The Defendant operated two websites at www.zagg.eu and www.transport-yellow-pages.com, which consisted essentially of an online directory of transport businesses and other transport services. The Defendant used both the word mark YELLOW PAGES and a logo featuring the words TRANSPORT YELLOW PAGES on both websites.

The Claimant alleged trade mark infringement and passing off in respect of its UK registrations for YELLOW PAGES and its “walking fingers” device mark.

The Defendant argued that his use of the marks were not infringing as his websites were not directed at people in the United Kingdom and, further, neither YELLOW PAGES nor the “walking fingers” logo were distinctive because both were used all over the world in relation to directories unrelated to Yell.

THE DEFENDANT’S ARGUMENTS

Mr Giboin argued that in the United States both YELLOW PAGES and the “walking fingers” logo were generic, however he was unable to present any evidence of the use of the marks by businesses other than Yell in the United Kingdom. Whilst the marks might be descriptive of “directory” in the United States, in the Court’s view, that was clearly not the case in the United Kingdom.

Mr Giboin also argued that Yell’s goodwill and reputation in the marks did not extend to the internet. The judge, unsurprisingly, rejected this contention.

As for whether the Defendant’s websites were directed at the UK public, the Court found that the directory on the websites listed UK transport businesses, that the advertising services offered by the websites related to the United Kingdom and that the “Terms of Use” were stated to be governed by English law. Therefore, it was held that the average consumer in the United Kingdom would consider that the websites were directed at them.

REGISTERED TRADE MARK INFRINGEMENT

The Court found no infringement under Section 10(1) of the UK Trade Marks Act 1994 as the marks in question were not identical. In relation to Section 10(2) infringement, the Court found that the word TRANSPORT was purely descriptive.

The Court found infringement under Section 10(3): the mark YELLOW PAGES clearly had the necessary reputation and TRANSPORT YELLOW PAGES gave rise to a link or association with the Claimant's YELLOW PAGES mark in the mind of the average consumer. UK businesses encountering the websites would be likely to think that they were linked with the directories belonging to Yell.

PASSING OFF

HHJ Birss QC decided that evidence from one witness who had encountered Mr Giboin's website at www.zagg.eu and thought that Yell was behind it, was sufficient to establish that the website was likely to deceive the public. Such a misrepresentation would be damaging to Yell's business, the Judge said, and given that the websites were directed to the United Kingdom, passing off was established.

COMMENT

This case serves as a further reminder that the widely held view that, the internet is a domain in its own right, subject to its own laws, where all of its content is, or should be, free, is a rather mistaken one.

CJEU Extends Injunction Granted in One Jurisdiction to All of The European Union

In relation to *DHL Express France SAS v Chronopost SA*, C-235/09, the Court of Justice of the European Union (CJEU) has held that an injunction granted by a Community Trade Mark (CTM) court under the CTM Regulation (40/94/EEC, now replaced by 207/2009/EC) in one EU Member State has effect, in principle, throughout the European Union

BACKGROUND

Chronopost is the owner of a French trade mark and a CTM for WEBSHIPPING in respect of services relating to logistics and data transmission. DHL Express used the word WEBSHIPPING to designate its online-accessible express mail management service. Chronopost issued proceedings in France against DHL for infringement of both its French trade mark and its CTM. At first instance, the Tribunal de Grande Instance de Paris (Regional Court of Paris), which heard the case as a CTM court, found that DHL had infringed Chronopost's trade marks and issued an injunction against DHL. It also imposed a financial penalty on DHL should it fail to comply with the injunction. The Court did not, however, grant Chronopost's request that the effect of the injunction should be extended to the entire area of the European Union and restricted it to French territory only. DHL appealed to the Cour d'appel de Paris (the

Paris Court of Appeal) and Chronopost appealed on the territorial scope of the injunction.

The appeal Court made a reference to the CJEU, requesting clarification as to the territorial scope of the injunction and the financial penalty imposed by the French Court.

DECISION

The CJEU noted that a CTM has unitary character, providing the owner with protection against infringement across the whole of the European Union. Further, the objective of Article 98(1) of the 1994 CTM Regulation (which governs the sanctions a CTM court can impose on a finding of infringement or threatened infringement) is the uniform protection, throughout the entire European Union, of the right conferred by the CTM against the risk of infringement. In order to ensure that uniform protection, a prohibition against infringement therefore had to, as a rule, extend to the entire area of the European Union. If the territorial scope of that prohibition were limited to the territory of a particular Member State, there would be a risk that a defendant would begin to exploit the sign at issue again in another Member State. This would force the trade mark proprietor to bring separate judicial proceedings in each Member State concerned, which would lead to a risk of inconsistent decisions.

The CJEU acknowledged, however, that the territorial scope of a prohibition might in some circumstances be restricted. The exclusive right of a CTM owner is conferred in order to enable the proprietor to protect his specific interests in the trade mark. Accordingly, the exercise of that right is reserved to cases in which a third party's use of the sign affects, or is liable to affect, the functions of the CTM. Where a CTM court held that the acts of infringement or threatened infringement are limited to a single or certain Member States, for example where the defendant proves that use of his allegedly infringing mark will not affect the functions of the claimant's mark in other member states on linguistic grounds, then the court must limit the territorial scope of the injunction to exclude those member states.

The CJEU also held that any coercive measures ordered by a CTM court by application of its national law, such as a periodic penalty payment, must extend to the whole of the territory for which the injunction is granted. Where the national law of a Member State does not contain a coercive measure similar to that ordered by the CTM court, it must achieve enforcement in accordance with its own national laws.

COMMENT

The decision is significant as a contrary ruling would have meant that CTM owners would have had to pursue infringers in multiple EU Member States. However, there is still scope for difficulties concerning coercive measures, not least where a national court does not have the power to order a particular

measure but needs to ensure that it is complied with in an equivalent manner.

Seemingly No Statute of Limitations in Bringing Complaints Under UDRP

BACKGROUND

The Complainant, Sportingbet Plc held Community Trade Mark (CTM) registrations for figurative marks SPORTINGBETCASINO and SPORTINGBETCASINO.COM. The disputed domain name, sportingbetcasino.com, was registered on 5 October 2001. From 20 May 2010, the domain name resolved to a webpage consisting of a photograph of a turkey together with: “05.02.2010: zzzzzz...” On 2 August 2010, the Complainant’s solicitors sent a cease and desist letter to the Respondent, Rough Media, referring to the turkey picture and stating that their client considered this to be disparaging and damaging to its goodwill and reputation. The Respondent replied, stating “there is no case to answer”. From 5 January 2011, the disputed domain name resolved to a webpage entitled “Sporting Bet Casino A blog about random thoughts and observations”. The page included criticism of an Indian web developer and Microsoft.

An objection was lodged on 16 February 2011 seeking the transfer of the domain name. The Respondent retaliated, *inter alia*, that (i) the Complainant’s marks were generic, lacking distinctiveness; (ii) the Respondent had legitimate interest in the domain name; and (iii) the defence of laches applied, as there were four years between the Complainant registering its trade mark and filing the action.

DECISION

The defence of laches did not apply under the Uniform Domain Name Dispute Resolution Policy and Rules (UDRP), unless a compelling argument was put forward. However, a delay in bringing a complaint would make it difficult to establish its case, particularly in relation to rights, legitimate interests and bad faith.

The UDRP Panel held Sportingbet’s marks did not lack distinctiveness. The Respondent provided no evidence showing that “sporting bet casino” was a commonly-used combination of words. As “SPORTINGBETCASINO” and “SPORTINGBETCASINO.COM” were the dominant element of the Complainant’s trade marks, the Panel concluded that the disputed domain name was confusingly similar to Sportingbet’s trade marks.

There was no evidence that the Respondent had used the domain name in connection with a *bona fide* offering of goods or services, or legitimate non-commercial purposes. The Panel held the use of the domain name as a blog was designed purely

to attempt to justify the Respondent’s registration. Regarding bad faith, the Respondent’s awareness of Sportingbet on acquisition of the disputed domain name was critical. The fact that Sportingbet’s marks were registered in 2007 and post-dated the domain name was irrelevant if there was evidence that the Respondent registered the domain name in contemplation of Sportingbet’s prior unregistered rights.

The Panel was satisfied that the Respondent had registered the domain name in contemplation of Sportingbet’s rights to take unfair advantage or cause unfair detriment to Sportingbet in some indeterminate manner. The Panel noted: (i) the absence of plausible explanations for the Respondent’s selection/use of the domain name, (ii) the implausibility of the connection between the disputed domain name and the blog which attempted to justify registration, (iii) the failure to explain the disparaging “turkey” page, (iv) the lack of information as to how the Respondent used the domain name since the date of acquisition in 2001, and (v) the Respondent’s reluctance to provide justification for its registration/use of the domain name. As for bad faith, the Panel concluded that in the absence of a credible alternative explanation, the Respondent had used the domain name to disparage Sportingbet by means of the “turkey” page.

COMMENT

“Sportingbetcasino” was held to be an unusual combination of generic terms. However, Sportingbet provided no evidence demonstrating use of “Sporting Bet” prior to registration of the disputed domain name in 2001. On two previous occasions, in relation to the domain names sportingbet.net and sportingbets.biz, Sportingbet’s complaints were rejected, mainly for want of evidence of prior goodwill. Sportingbet’s success this time testifies to the distinctiveness of the SPORTINGBETCASINO marks such that negative inferences could be drawn about the Respondent’s choice of domain name and subsequent behaviour.

COPYRIGHT

The Legality of Ordering ISPs to Install Filtering and Blocking Systems to Protect IP Rights

BACKGROUND

In *Scarlet Extended SA v Société Belge des Auteurs Compositeurs et Editeurs C-70/10*, the Advocate General (AG) of the Court of Justice of the European Union (CJEU) has given his opinion on whether it is lawful for a national court to impose an order on an internet service provider (ISP) to make it impossible for its customers to send or receive, by means of peer-to-peer software, particular music files.

The action was initially brought under Belgian law by the Société Belge des Auteurs Compositeurs et Editeurs (SABAM) against the Belgian ISP, Scarlet Extended SA, in connection with alleged infringement of copyright in musical works in its collection, as a result of illegal file-sharing occurring *via* Scarlet's services. SABAM applied to the Belgian court for a declaration of infringement and for an order requiring Scarlet to block such file-sharing by making it impossible for Scarlet's customers to share files using peer-to-peer software without the permission of the rights holders.

Under Belgian national law, an order to cease infringement can be made against an intermediary whose services are used to facilitate infringement. Accordingly, once the Belgian court had found that infringement had taken place, it ordered Scarlet to cease infringing by making it impossible for its customers to send or receive, by means of peer-to-peer software, music files within SABAM's collection. It also imposed a penalty payment of €2,500 per day, payable to SABAM, if the system was not set up and working within six months.

The matter was appealed to the Brussels Court of Appeal, which asked the CJEU whether, under EU law, in particular under the Charter of Fundamental rights, a national court was permitted to order an ISP to install filtering and blocking systems to protect intellectual property rights.

DECISION

The AG first considered the characteristics of the proposed system that Scarlett would be ordered to install. It would require *all* data communications passing *via* Scarlet's network to be filtered in order to detect copyright infringement. Communications that did involve infringement would then be blocked.

The result of this, according to the AG, was that the order would have a lasting effect for an unspecified number of legal and natural persons regardless of their state, residence and

whether they had a contract with Scarlet or not. He considered the order to provide a general obligation that was intended to be extended in the longer term and on a permanent basis to all ISPs.

In view of this, the AG considered that the installation of such a system would be a restriction on a number of rights protected by the Charter of Fundamental Rights, including the right to privacy of communications and the freedom to receive and impart information.

The AG noted that the exercise of rights and freedoms in the Charter could be restricted if restricted in accordance with national law. However this would mean that a restriction on the rights and freedoms of internet users, such as was at issue in this case, would only be permissible if it were adopted on a national legal basis (i.e. by national legislation) and that it was accessible, clear and predictable.

COMMENT

The AG proposed that the CJEU should answer the question as follows:

EU law precludes a national court from making an order that requires an ISP to install, in abstracto, and as a preventative measure, entirely at the expense of the ISP and for an unlimited period, a system for filtering all electronic communications passing via its network (in particular, those involving the use of peer-to-peer software) in order to identify the sharing of electronic files containing a musical, cinematographic or audiovisual work in respect of which a third party claims rights, and subsequently to block the transfer of such files, either at the point the transaction is requested or at the point that it is carried out.

If the CJEU follow this opinion it is likely that national legislation would be required in order to compel ISPs to install systems that automatically detect and prevent copyright infringement.

CONFIDENTIALITY

England and Wales Court of Appeal Rules on Scope of Liability for Unknowing Use of Confidential Information

BACKGROUND

The Complainant in *Vestergaard Frandsen S/A v Bestnet Europe Ltd* [2011] EWCA Civ 424 is a manufacturer of insecticidal fabrics. It claimed that Bestnet Europe Ltd's product, a long lasting anti-mosquito bed net called NetProtect, was developed using Vestergaard's confidential information contained in a database called Fence, which contained the ingredients and proportions of ingredients used to make long lasting insecticidal nets. Vestergaard claimed that use of its

confidential information occurred when the individual Defendants, Mr Larsen and Mrs Sig, left Vestergaard in 2004 and set up Bestnet.

The first instance court found that before leaving the company, Mr Larsen and Mrs Sig had embarked on a project to compete with Vestergaard. Mr Justice Arnold granted an injunction in respect of the first version of NetProtect, but decided that subjecting later versions to an injunction would be disproportionate because they were the result of a lot of independent work done after connections with Vestergaard had been severed.

Bestnet and Mrs Sig appealed and Vestergaard cross-appealed Arnold J's decision not to grant an injunction in respect of later versions of the net.

DECISION

With respect to Bestnet's appeal, Jacob LJ found that none of the NetProtect chemical combinations were exactly the same as a particular chemical combination found in Fence. However, some of them were close. Jacob LJ noted that the use by an alleged copyist of odd or unusual detail found in the original is often a tell-tale sign of copying. Bestnet tried to argue that the "coincidence" was merely of one man doing the same thing twice. Jacob LJ concluded that there was "ample material" to justify Arnold J's finding that the Fence database had been used as the basis for the NetProtect product and it was not a matter of the developer, (Mr Skovmand, who also worked for Vestergaard until 2004), using his general skill and knowledge or information in the public domain.

As for the liability of Mrs Sig, her employment contract stated that she owed a duty not to use any confidential information and that the duty continued after termination of her contract. Arnold J had found that Mrs Sig had breached her contract even though it had not been suggested or shown that she had had access to the Fence database or knew that it had been used to develop NetProtect. She had, however, been "closely involved" in setting up Bestnet and in the commercial side of the development of NetProtect. In Arnold J's judgement, this was sufficient to render her liable for breach of her own obligation of confidence. Arnold J said, "*A person can be liable for breach of confidence even if he is not conscious of the fact that what he is doing amounts to misuse of confidential information.*" (see *Seager v Copydex Ltd* [1967] 1 WLR 923).

Mrs Sig argued that Arnold J had erred. First, she could not be said to have misused the confidential information herself because she did not know it and did not know that it was being used. Second, the express term of her contract did not forbid unknowing use of the information and no term forbidding such use should be implied. Vestergaard argued that once the law imposed an obligation of confidence, whether in equity or as a

matter of contract, the obligation was broken where the employee used the information, even if unknowingly.

Jacob LJ found that Vestergaard's argument was "far reaching" and that an obligation of strict liability was very serious. The issue of use was the key question. Jacob LJ said that *Seager v Copydex* did not support Vestergaard in its quest to impose strict liability on Mrs Sig as in that case the Defendants had actually used the information imparted to them, albeit unconsciously, whereas, in Jacob LJ's view, Mrs Sig had not used the information in question. Further, there could be no implied term imposing strict liability and there was no business reason to imply a term of that harsh extent. Accordingly, Jacob LJ found that Mrs Sig had not breached confidentiality.

As for the cross-appeal, Jacob LJ did not agree with Vestergaard's argument that the later versions were so close to the original NetProtect product as to embody substantially all the information taken from the Fence database. Jacob LJ found, instead, that Dr Skovmand had made changes to the product after doing a lot of his own work.

Jacob LJ found that Arnold J had been correct to address proportionality in considering whether to grant an injunction, as the IP Enforcement Directive (2004/48/EC) required it in respect of intellectual property rights and a claim for misuse of technical trade secrets was a claim to enforce an intellectual property right.

IP LITIGATION

High Court of England and Wales considers basis for transferring case to Patents County Court

BACKGROUND

In *Caljan Rite-Hite Ltd v Sovex Ltd* [2011] EWHC 669 (Ch) Mr Justice Kitchin has given a useful judgment on the requirements for transfer of a case from the High Court of England and Wales to the Patents County Court (PCC) under the PCC's new procedural rules.

Caljan Rite-Hite Ltd's claim was for rectification of the UK trade marks register to substitute Caljan for Sovex Ltd as proprietor of the mark SOVEX. Caljan contended that it was the legal and beneficial owner of the mark, while Sovex denied the claim, saying that it had acquired ownership of the mark in good faith and in ignorance of Caljan's claim to title.

Sovex applied to the High Court to have the action transferred to the PCC in order to take advantage of the new procedural regime.

DECISION

Kitchin J noted that the new regime in the PCC is designed for smaller, less complex actions to provide cheaper, speedier and more informal procedures so that small and medium sized enterprises and individuals are not deterred from innovation by the potential costs of litigation to protect their rights.

Key elements of the new regime are

- Concise statements of case setting out all the facts and arguments, verified by statements of truth
- No, or limited, disclosure
- No, or limited additional factual or experts' evidence
- Where possible, determination of the claim solely on the basis of the parties' statements of case and oral submissions
- Limited cross-examination
- Trials of no more than two days
- Scale costs only
- Costs on liability of no more than £50,000.

Practice Direction 30 of the Civil Procedure Rules sets out what the High Court should consider when deciding whether to order transfer.

The first consideration for Kitchin J was whether a party can only afford to bring or defend a claim in the PCC. Sovex submitted abbreviated accounts showing its poor financial state. However, the evidence (which included a cash injection from its directors and shareholders in 2010) did not establish that Sovex would be unable to defend the proceedings if a transfer was refused.

Kitchin J rejected Caljan's argument that to impose the new regime on cases that had begun in the High Court before 1 October 2010 when the new rules came into force (as was the case here) would be unfair because a party might already have incurred costs. These are, however, matters that the High Court will consider in deciding whether to transfer, but they provide no basis for concluding that the new procedural regime should not apply.

The other considerations concern the value of the claim, the complexity of the issues and the estimated length of the trial.

Kitchin J concluded that the issues were not straightforward and that their resolution inevitably would require disclosure, witness statements and cross-examination, with a real prospect of the trial lasting more than two days. Consequently, the Court would not be able to determine the case on the basis of

the parties' statements of case and oral submissions and therefore the application was refused.

DATA PROTECTION

ICO Tells Businesses Their Employees Need to Take Responsibility for Personal Data

The Information Commissioner's Office (ICO) has told businesses that their employees need "to take responsibility and ownership of tasks that involve handling personal data," and that employers should also take responsibility for their employee's awareness of the risks associated with handling personal data. The statement comes after an accidental disclosure at York City Council.

BACKGROUND

York Council breached the Data Protection Act by accidentally disclosing personal data to an unrelated third party when the data was mistakenly picked up from a shared printer and sent out without the employee checking that they had the correct papers.

The ICO found that the Council had robust policies and procedures in place covering the handling of personal data. The incident was instead a case of a lack of quality control, personal ownership and management supervision within the council and amongst their staff.

The ICO said "if the documents had not been left unattended by the printer and had been carefully checked before they were sent out then this situation could easily have been avoided."

UNDERTAKINGS

The Council has now signed undertakings to ensure that new procedures are put in place to prevent documentation containing any form of personal data from being printed where there is no business need to do so. The Council will also be bringing in new quality control checks on all the information it handles prior to distribution, as well as extending its clear desk policy to include printer trays, post trays and other pending work trays.

The Council has also undertaken to ensure that personal data is processed in accordance with the Seventh Data Protection Principle. The Council has undertaken to implement "other security measures as it deems appropriate to ensure that personal data is protected against unauthorised and unlawful processing, accidental loss, destruction, and/or damage."

COMMENT

The undertakings given by York Council in this instance serve as examples of the types of internal processes the ICO expects employers to put in place to ensure the maintenance of

standards of data security. By implementing such processes, businesses are more likely to avert a serious breach of the Seventh Data Protection Principle and avoid any consequential penalty from the ICO.

COMMERCIAL

MEPs Provisionally Approve the European Commission's "28th Regime" Optional Contract Law System

BACKGROUND

On 1 July 2010, the European Commission published its Green Paper on European contract law, setting out possible practical and legislative actions designed to bring more coherence to contract law across the European Union. The Green Paper considered what should be the legal nature of any instrument of European contract law and set out options ranging from a non-binding instrument or official "toolbox" for the legislator, which is aimed at improving the consistency and quality of EU legislation, to a binding instrument that would set out an alternative to the existing plurality of national contract law regimes by providing a single set of contract rules.

The Commission is now moving forward with its proposals for an optional "28th regime", which would operate as an alternative to national contract law systems when the parties choose to adopt it in their contracts. Certain Members of the European Parliament (MEPs) have already backed the regime, attesting that EU Member States would be given more choice and flexibility. According to the Commission, the current position, which makes both businesses and consumers deal with divergent national contract laws for each of the Member States in which they operate, results in increased complexity and expense and leads to legal uncertainty.

The draft proposals could form the basis of legislation, working as a "common frame for reference", covering the standard provisions of legal arrangements between businesses and between businesses and consumers. The proposals would bring together legal concepts, definitions and principles based on the laws of each Member State. Furthermore, there would be "off the shelf" model contracts that businesses would be able to use in order to reduce their legal costs and ancillary costs associated with cross-border trading.

The Commission's reasoning for putting forward these proposals is to encourage more cross-border commerce within the European market. The attempt to standardise national rules including those on advertising, labelling and product liability is intended to simplify the plethora of legal systems within the

European Union, thus helping smaller companies looking to expand outside their home markets.

A plenary meeting of the European Parliament is set to vote on the proposals for the 28th regime in early July 2011. The Council for Bars and Law Societies of Europe has stated that, in theory, most of its members support the optional additional set of rules, as long as parties had the option to "opt-in" to the terms when forming a contract. They have requested clear rules as to how the additional rules will function alongside current domestic legislation.

COMMENT

The plans have been criticised due to the likelihood of them causing uncertainty for both businesses and consumers. In certain transactions, such as a real estate sale for example, the contract could be governed by EU contract law, but it would nonetheless be affected by national property laws and, if something went wrong, domestic tort law. Rather than alleviating confusion, the 28th regime could do the opposite. In December 2010, certain business and consumer organisations expressed "shared concerns about the too-rapid pace at which this dossier is evolving."

The Law Society of England and Wales has stated that there is no demonstrable need for a revised contract law system. Furthermore, certain consumer groups have argued that reticence to conduct cross-border trade is not caused solely by a multiplicity of contract law systems. Likewise, there is a fear that consumers will not be able to choose which system of law governs their contract, thus they might be obliged to use the new system. This could potentially undermine consumer rights that currently offer protection to consumers in each Member State. Consequently, whilst the system may be beneficial to small businesses by reducing their legal costs, consumers might suffer.

ADVERTISING AND MARKETING

CAP and BCAP Publish New Guidance on The Use of Production Techniques in Cosmetics Advertising

A new Help Note was published on 4 April 2011 by the UK bodies that write the Advertising Codes—the Committee of Advertising Practice (CAP) and the Broadcast Committee of Advertising Practice (BCAP)—to provide greater clarification on the use of pre- and post-production techniques in cosmetic adverts.

BACKGROUND

The Note covers three main areas: (i) pre-production techniques, (ii) post-production techniques, and (iii) qualifications or disclaimers.

In general terms, the Note advises that advertised claims should not exaggerate misleadingly the effect a product is capable of achieving. The Note is not, however, intended to restrict the use of obvious exaggeration that is not to be taken literally, or the use of stylised images, such as diagrams or cartoons, that illustrate a concept rather than any actual potential benefit.

PRE-PRODUCTION

The use of pre-production techniques such as styling, make-up, lash inserts, hair extensions, *etc.*, are acceptable without explicit disclosure provided such techniques do not mislead.

Techniques that are likely to mislead include

- “Before-and-after” images where only the “after” image had used pre-production techniques.
- The use of lash inserts that are longer/thicker than the model’s natural lashes or do more than replace damaged/missing lashes.
- The use of hair extensions/inserts, unless the effect is achievable on natural hair.
- The use of false/artificial nails where the benefit claimed is other than purely decorative (*e.g.*, claims for nail strength, length, shape).

The guidance also lists pre-production techniques that are unlikely to mislead, including the use of styling and make-up generally and the use of techniques where the effect is not directly relevant to the advertised product; such as lash inserts for non-eye area cosmetics.

POST-PRODUCTION

The Note suggests that the use of post-production techniques such as the re-touching of photographic images requires particular attention. It advises advertisers to retain appropriate “before” and “after” images showing the effect of both pre- and post-production techniques as appropriate.

Re-touching related to any characteristics directly relevant to the apparent performance of the advertised product is likely to mislead. One example is the removal/reduction of the appearance of wrinkles around the eyes for an eye cream advertisement.

Post-production techniques that are unlikely to mislead include

- Minor adjustments to correct for lighting problems and other photographic issues.
- The removal of a few hair “fly-aways”, even in advertisements for hair care products as long as the product is not for fly-away hair.
- The removal of skin blemishes, provided this does not affect the impression given of the effectiveness of the product.

QUALIFICATIONS AND DISCLAIMERS

If the advertisement is inherently misleading, it remains so regardless of any superimposed disclaimer or qualifier. If the advertisement is inherently truthful, such superimposed text is unnecessary. However, the Note does concede that there may be times when a superimposed comment usefully clarifies some aspect of the advertisement. If so, it should be clearly legible and placed appropriately.

COMMENT

One of the main objectives of the Note according to CAP Secretary Shahriar Coupal is “to equip advertisers with the necessary tools to help them get their ads right; helping to produce ads that comply with the Codes in preference to taking action against those that do not.” If complaints are received concerning an advertisement that fails to follow the guidance, the Advertising Standards Agency will expect the advertiser to justify why they did so and explain why the advertisement does not mislead as a result.

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CALLEJA CONSULTING

*LEGAL KNOW-HOW AND INFORMATION
MARKETING CONSULTANTS*

rico@callejaconsulting.com

McDERMOTT CONTACT DETAILS

LONDON

Gary Moss, Partner

Direct Line: +44 20 7577 6940

Email: gross@mwe.com

Hiroshi Sheraton, Partner

Direct Line: +44 20 7577 6910

Email: hsheraton@mwe.com

Rohan Massey, Partner

Direct Line: +44 20 7577 6929

Email: rmassey@mwe.com

MUNICH

Boris Uphoff, Partner

Direct Line: +49 89 12712 170

Email: buphoff@mwe.com

Vincent Schröder, Partner

Direct Line: +49 89 12712 164

Email: vschroder@mwe.com

DÜSSELDORF

Thomas Hauss, Partner

Direct Line: +49 211 3003 210

Email: thauss@mwe.com

ROME

Francesco Mattina, Partner

Direct Line: +39 06 462024 60

Email: fmattina@mwe.com

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

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Office Locations

Boston

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

Düsseldorf

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

Los Angeles

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

Munich

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

Paris

23 rue de l'Université
75007 Paris
France
Tel: +33 1 81 69 15 00
Fax: +33 1 81 69 15 15

Silicon Valley

275 Middlefield Road, Suite 100
Menlo Park, CA 94025
USA
Tel: +1 650 815 7400
Fax: +1 650 815 7401

Brussels

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

Houston

1000 Louisiana Street, Suite 3900
Houston, Texas 77002
USA
Tel: +1 713 653 1700
Fax: +1 713 739 7592

Miami

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

New York

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

Rome

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

Washington DC

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

Chicago

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

London

Heron Tower
110 Bishopsgate
London EC2N 4AY
United Kingdom
Tel: +44 20 7577 6900
Fax: +44 20 7577 6950

Milan

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

Orange County

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

Shanghai

MWE China Law Offices
Strategic alliance with
McDermott Will & Emery
28th Floor Jin Mao Building
88 Century Boulevard
Shanghai Pudong New Area
PR China 200121
Tel: +86 21 6105 0500
Fax: +86 21 6105 0501