



## COPYRIGHT

### **Bezpečnostní softwarová asociace-Svaz softwarové ochrany v Ministerstvo kultury: Copyright in a Graphic User Interface**

In *Bezpečnostní softwarová asociace-Svaz softwarové ochrany (BSA) v Ministerstvo kultury* 22 December 2010 (unreported), the European Court of Justice (ECJ) has ruled that a graphic user interface (GUI) does not constitute a form of expression of a computer program within the meaning of Article 1(2) of the Software Directive (91/250/EC). The ECJ nevertheless ruled that a GUI can, “as a work”, be protected by copyright under the Copyright Directive (2001/29/EC). Additionally, the ECJ ruled that a television broadcasting of a GUI does not constitute communication to the public of a work within the meaning of Article 3(1) of the Copyright Directive.

#### **BACKGROUND**

The reference arose from an application, which was rejected, to the Czech Ministry of Culture by BSA for authorisation for collective administration of copyrights to computer programs under Czech copyright law. On appeal, the Czech court sought ECJ guidance on i) whether the GUI of a computer program is a form of expression of that program within the meaning of Article 1(2) of the Software Directive and is thus protected by copyright as a computer program, and ii), whether the television broadcasting of a graphic user interface constitutes communication to the public of a work protected by copyright within the meaning of Article 3(1) of the Copyright Directive.

#### **ECJ DECISION**

As regards the first question, the ECJ considered that the object of the protection conferred by the Directive was the expression in any form of a computer program that permitted reproduction in different computer languages. A GUI is an interaction interface but does not enable the reproduction of the computer program. It followed that the GUI could not constitute a form of expression within the meaning of Article 1(2) of the Directive.

The ECJ went on to consider whether the GUI of a computer program could be protected by the ordinary law of copyright. In the ECJ’s view, it could, on the basis that the GUI could, “as a work”, be protected by copyright if it was its author’s own intellectual creation.

As regards the second question, the ECJ was not satisfied that a GUI could be communicated to the public within the meaning of Article 3(1) in a television broadcast since it could not thereby be communicated to the public in such a way that individuals could have access to the essential element characterised in the GUI, which was to allow interaction with the user.

#### **COMMENT**

The ECJ’s broad statement that “the graphic user interface can, as a work, be protected by copyright if it is its author’s own intellectual creation” raises questions as to exactly what is encompassed by the concept of “work” for the purposes of copyright protection under European law. Additionally, it is questionable why it should make any difference that a GUI is received by the viewer in a passive manner when communicated in the context of a TV broadcast. It is not, it is suggested, a question of functionality, but whether there has been a communication of a copyright work that is relevant.

## TRADE MARKS

### **Joined Cases *Chocoladefabriken Lindt & Sprüngli AG v OHIM* and *August Storck KG v OHIM*: Animal Shapes Lack Distinctive Character for Chocolate Goods**

In joined cases involving the Office of Harmonization for the Internal Market (OHIM), *Chocoladefabriken Lindt & Sprüngli AG v OHIM* T-336/08, T-337/08, T346/08 and T-395/08 and Case T-13/09 *August Storck KG v OHIM* 17 December 2010 (unreported), the EU General Court confirmed that the shapes of various chocolate animals, including the Lindt gold bunny, are devoid of distinctive character for the purposes of the Community Trade Mark Regulation (207/09/EC).

#### **BACKGROUND**

Chocoladefabriken Lindt & Sprüngli filed four applications for Community Trade Marks (CTMs) in respect of the shapes of gold bunnies, gold reindeers and a red ribbon and gold bell which typically adorns the necks of its chocolate animals. August Storck AG filed a CTM application representing the geometric shape of a chocolate rectangular block with the shape of a mouse on top. All of the applications were in respect of chocolate and OHIM dismissed them on the ground

that the marks were devoid of distinctive character. Lindt and Storck appealed to the General Court.

#### DECISION

The General Court noted that the criteria for assessment of the distinctive character of three-dimensional marks consisting of the appearance of the goods themselves are not different from those applicable to other categories of trade mark: they must be capable of distinguishing the goods of one commercial undertaking from those of another.

The General Court concluded that the marks applied for could not be considered capable of identifying the commercial origin of the goods that they designate. This conclusion resulted from the fact that the consumer would not be able to ascertain the commercial origin of the designated goods on the basis of the various elements making up the marks applied for, namely the shape, the gold wrapping or the red ribbon of the Lindt marks, or the shape and colour of the Storck mark.

With respect to the Lindt marks, the General Court held that the rabbit, reindeer and bell shapes were typical of shapes in which chocolate goods were presented, particularly at Christmas and Easter. It also found that the wrapping of chocolate in gold foil and its adornment with red ribbon was commonplace and that these did not lend the marks distinctive character.

Turning to the Storck mark, the General Court held that it was made up of a combination of standard presentation elements and was a variation of the basic shapes used commonly in the confectionery sector and did not differ significantly from the norm or the conventions of that sector. Accordingly, the Court did not find that Storck's marks could distinguish its confectionery from that with a different commercial origin.

## PASSING OFF

### ***Lifestyle Management Ltd v Frater: Domain Names and Instruments of Fraud***

In *Lifestyle Management Ltd v Frater* [2010] EWHC 3258 (TCC) Mr Frater, a former agent of the Lifestyle Management Ltd (Lifestyle), has been found by the High Court of England and Wales, on a without notice application for an interim injunction, to have committed acts of passing off by pointing certain domain names to websites that closely resembled the home page of his former principal's website.

#### BACKGROUND

Lifestyle's website operated under the domain name offshoreism.com. When a dispute arose with its agent Mr Frater, Mr Frater registered the domain names offshoreism.net, offshoreism.org and offshoreism.co.uk. He pointed these domain names to a home page that was very similar to Lifestyle's own home page. Mr Frater also set out confidential

information on these websites relating to Lifestyle's business and included material which arguably was defamatory and was calculated to damage Lifestyle's business.

Lifestyle applied to the High Court without notice for an injunction restraining Mr Frater from continuing with these activities, on the basis that Mr Frater was committing the tort of using unlawful means to injure another, or was committing acts of reverse passing off.

#### DECISION

In respect of passing off, Edwards-Stuart J decided that the threefold requirement of (i) reputation (or goodwill) in Lifestyle's domain name offshoreism.com, (ii) misrepresentation by Mr Frater's use of domain names calculated to deceive, and (iii) damage to Lifestyle's business, had been established. Further, following *British Telecommunications plc v One in a Million Ltd* [1999] 1 WLR 903, in which the notion that the use of a website as an "instrument of fraud" amounted to passing off was first established, Edwards-Stuart J said that the essential ingredients of a deceptive use of a company name that had an acquired goodwill in order to damage the owner of that name were present here.

Edwards-Stuart J therefore ordered that Mr Frater should i) point his three domain names to blank pages, ii) deliver up to Lifestyle confidential client information in his possession, and iii) refrain from making any further use of any of Lifestyle's confidential information. Edwards-Stuart J declined, however, to order Mr Frater to relinquish his interest in his websites or to transfer the domain names to Lifestyle without him first having the opportunity to be heard.

### ***Cowshed Products Ltd v Island Origins Ltd: Interim Injunction and The Risk of Injustice***

Cowshed Products Ltd (Cowshed), sought an interim injunction restraining the Defendants from using the brand "Jersey Cow". The injunction arose as part of an action by Cowshed for infringement of its trade marks, in particular the mark COW, under Sections 10(1), 10(2) and 10(3) of the Trade Marks Act 1994, and for passing off.

The Judge, HHJ Birss QC, applied the *American Cyanamid* principles. He found that there was a triable issue, and that either party could suffer unquantifiable harm depending upon his decision. As the position on the *status quo* was in dispute and unclear, the Judge followed the approach in *John Walker & Sons v Rothmans International* [1978] FSR 357 and *Management Publications v Blenheim Exhibitions* [1991] FSR 348 and considered the probability of the harm occurring and the result to both the Claimant and the Defendants. Finding that there was a real risk that the Defendants' business would be destroyed if an injunction was granted, but that the Claimant

would by no means be defeated without an injunction, the Judge refused to grant the injunction.

As stated by HHJ Birss QC in his judgment, this case shows the difficulty in applying the *American Cyanamid* principles to trade mark and passing off cases. Such applications are not supposed to be a mini-trial, yet the Judge was assessing the merits of the case. Indeed, the application for interim relief could have turned into a final hearing, had the Claimant agreed to this proposal.

One should also note the importance that the Judge placed on the course of action that would involve the least risk of injustice. There was a real risk that an injunction would destroy the Defendants' business, but a low risk of harm to the Claimant pending trial. Irrespective of the uncertainty in *status quo*, once it was found that both parties had a good arguable case, the decision not to grant the injunction would appear to flow naturally from the Judge's finding on harm.

## PATENTS

### European Commission Proposal For Enhanced Cooperation in Unitary Patent Protection

The debate surrounding the Community patent has raged for over 40 years. To date, efforts to establish a Community patent have all failed, largely due to the issues of language, translations and jurisdiction to deal with disputes.

In early December 2010, 12 EU Member States (Denmark, Estonia, Finland, France, Germany, Lithuania, Luxembourg, the Netherlands, Poland, Slovenia, Sweden and the United Kingdom) addressed a formal request to the European Commission indicating that they wish to establish enhanced cooperation between themselves in the area of the creation of unitary patent protection and that the Commission should submit a proposal to the Council to that end.

The current proposal is that the unitary patent between the 12 States should be based on the December 2009 text (Council document 16113/09). It would provide that the unitary patent should coexist with the current European and national patent systems, in fact comprising a specific category of European patent, filed with and granted by the European Patent Office (EPO) and designating the participating States on a unitary basis.

The unitary patent would be autonomous in nature and provide equal protection throughout the territories of the participating Member States. As with the Community Trade Mark, it could only be granted, transferred or revoked, or may lapse, in respect of those territories as a whole.

Regarding language and translation, the proposal is that patents should be filed in accordance with Article 14 EPC, *i.e.*, that

they should be filed in one of the official languages of the EPO or, if filed in another language, translated into one of the official languages. The EPC already provides for translations to be brought into conformity with the official language during prosecution if necessary. Under Article 14(6) EPC, the specification would be published in the official language in which it was filed (or translated) with the claims being translated into the remaining two official languages.

Under the current proposal, if a dispute were to arise in relation to the patent, then the patentee would have to translate the patent, at his own expense, into the official language of the Member State in which either the infringement took place, or where the infringer is domiciled. In addition, if the court requests it, it would have to be translated into the language of the proceedings of the court hearing the dispute.

### ***Cephalon Inc v Orchid Europe Ltd: Generics, Interim Injunctions and "Clearing The Way"***

The High Court of England and Wales has refused to grant an interim injunction to Cephalon against Orchid Europe Ltd's generic version of Cephalon's patented sleeping disorders drug, modafinil. Floyd J concluded that the balance of convenience was in favour of the Defendants.

Cephalon held rights to patents related to modafinil, for sleeping disorders. Teva had an exclusive distribution agreement with Cephalon for modafinil in the United Kingdom and elsewhere, and an agreement to enter the market with their own generic, modafinil, in October 2012. As a term of the agreement, if another generic product was launched in any territory before October 2012, Teva could terminate the distribution agreement and instead have a licence, as long as that other generic was on the market.

The first Defendant, Orchid, obtained regulatory approval to launch a modafinil product in the United Kingdom. Cephalon claimed two of its patents would be infringed if the Defendants were allowed to market modafinil in the United Kingdom and sought an order restraining them from marketing modafinil tablets until judgment or further order.

Cephalon persuaded Floyd J that it "just about cleared the threshold" of establishing that there is a serious question of infringement to be tried. Orchid did not establish that Cephalon had no arguable case on validity.

Following *American Cyanamid*, the Judge weighed the likely injustice of granting an injunction that should not have been granted, against the injustice of withholding one that should. He held that Cephalon's argument that other generics would enter the market was about *risk* of damage, rather than certainty. Although other generic competition could emerge, it was most unlikely that Teva would terminate its exclusive

distributorship, breach the terms of the settlement and, in the event that Cephalon won at trial, take the risk of being excluded from the market until October 2012. Rejecting Cephalon's submissions regarding parallel imports, Floyd J held that the increase in parallel imports after judgment had nothing to do with the Defendants having been on the market in the United Kingdom.

Floyd J held that Cephalon's most promising argument was that of potential loss of goodwill. However, based on evidence with regard to Cephalon's approach to doing business generally, Floyd J held that Cephalon would be able to hold onto business, even when the product could be obtained cheaper elsewhere.

Floyd J ruled that the balance of convenience was in favour of allowing the Defendants to take advantage of their market position for the short period until trial and did not grant interim relief. Floyd J ordered an expedited trial.

## DATABASES

### **Football Dataco Ltd v Yahoo! UK Ltd: Database Right and Database Copyright**

The Court of Appeal of England and Wales has confirmed that *sui generis* database right does not subsist in football fixture lists. However, it has referred questions to the European Court of Justice (ECJ) relating to the scope of protection of database copyright under Article 3 of the Database Directive (96/9/EC).

#### **BACKGROUND**

Dataco and its fellow Claimants are professional football leagues and others involved with the exploitation of data and rights in connection with the matches played by the football leagues, including fixture lists. Yahoo and its fellow Defendants used the fixture lists without a licence.

Whilst the fixtures lists are prepared by reference to the English Leagues' Fixture Compilation Rules, the process is far from purely mechanistic. The whole procedure is highly complex and takes several months to accomplish.

#### **DISPUTE**

The dispute between Dataco and Yahoo *et al* resulted in a trial, *Football Dataco Ltd v Yahoo! UK Ltd* [2010] EWHC 841, before Mr Justice Floyd, of a preliminary issue as to whether there was database copyright or *sui generis* database right in Dataco's football fixtures lists.

Floyd J confirmed that there was no *sui generis* right within the meaning of Article 7 of the Database Directive in Dataco's fixture lists, following *Fixtures Marketing Ltd v Oy Veikus AB* [2004] ECR I-10365, *Fixtures Marketing Ltd v Svenska Spel AB* [2004] ECR I-10497, and *Fixtures Marketing Ltd v Organismos Prognostikon Agnon Podosfairou* [2004] ECR I-

10549. Dataco was involved primarily with creating the data and the extra effort in obtaining, verifying or presenting it was trivial and not sufficient to attract the *sui generis* right.

However, the judge did find that Dataco's database was protected by the harmonised form of copyright provided for by Article 3 of the Database Directive, holding that the process of preparing the fixture lists involved significant labour and skill and was more than a mere "sweat of the brow" exercise. He held that it was quite unlike compiling a telephone directory because there was scope for judgement and skill.

Turning to the question of quantitative sufficiency, Floyd J was in no doubt that the fixtures database qualified. He held that the quantum of relevant work involved in producing the fixture lists was considerably greater and made more complex by the fact that no two fixtures could be freely interchanged without affecting others.

Dataco appealed Floyd J's finding under Article 7 of the Database Directive and his finding that no English copyright subsisted in its database. Yahoo appealed Floyd J's finding under Article 3 of the Directive.

#### **DECISION**

Lord Justice Jacob, giving the unanimous judgment of the Court of Appeal, held that the question of *sui generis* right under Article 7 of the Directive was *acte clair*. Following the *Fixtures Marketing* cases, no *sui generis* right subsisted in football fixtures lists. The Court of Appeal therefore declined to refer questions to the European Court of Justice on Article 7.

Although the Court of Appeal was not inclined to find that a national copyright, independent of the Directive, subsisted in the fixtures lists, it considered that there was "just enough of a lingering doubt" that it chose to refer a question on this point to the ECJ.

Regarding Article 3, Jacob LJ stated that he could see the force in Dataco's arguments that the creation of the fixture lists involved considerable skill and judgment as well as labour, was not a merely mechanical process and that the creators of the lists selected and arranged the contents of those lists within the meaning of Article 3. However, he could also see the merit in Yahoo's contention that Article 3 was limited to selection or arrangement of *pre-existing* data and that giving a date to a match was creating data, not selecting or arranging it.

The Court of Appeal therefore decided to refer questions to the ECJ on the scope of Article 3, covering both this and the question of the meaning and limits of the phrase "author's own creation" in the Article, recognising that UK and other national laws that pre-dated the Directive required a measure of "artistic skill", whereas the Directive does not. Jacob LJ noted that, whilst it was clear that mere mechanistic "sweat of the brow"

tasks like compiling a telephone directory were not protected by the Article, what was not clear was whether other, truly creative but not artistic work was covered.

The questions referred were:

1. *In Article 3(1) of Directive 96/9/EC on the legal protection of databases what is meant by "databases which, by reason of the selection or arrangement of their contents, constitute the author's own intellectual creation" and in particular:*

- *should the intellectual effort and skill of creating data be excluded?*
- *does "selection or arrangement" include adding important significance to a pre-existing item of data (as in fixing the date of a football match);*
- *does "author's own intellectual creation" require more than significant labour and skill from the author, if so what?*

2. *Does the Directive preclude national rights in the nature of copyright in databases other than those provided for by the Directive?*

#### COMMENT

The Database Directive was seen initially as a timely recognition of the value of information in the modern world, but early optimism was dashed when the Directive was effectively emasculated by the ECJ in its ruling in *British Horseracing Board v William Hill* [2004] ECR I-10415. The Court of Appeal has, in this case, formulated questions which could enable the ECJ to reinvigorate the Directive without going back on its earlier decision.

## DATA PROTECTION

### Article 29 Working Party Opinion on Applicable Law: Clarifying The Scope of Application of The Data Protection Directive

On 16 December 2010, the Article 29 Working Party—the European advisory body on data protection and privacy—adopted an Opinion on applicable law (WP 179), aimed at clarifying the scope of application of the Data Protection Directive (95/46/EC), particularly Article 4, which determines which national data protection laws adopted pursuant to the Directive may be applicable to the processing of personal data. The Opinion also highlights some areas for possible further improvement as a part of the revision of the general data protection framework. It also makes a number of recommendations, including a shift back to the country of origin principle, designed to achieve a less complex and more harmonised approach.

The Working Party states that the complexity of applicable law issues is growing due to increased globalisation and the development of new technologies. Companies are operating increasingly in different jurisdictions, providing services and assistance 24/7, with the internet making it much easier to provide such services from a distance and to collect and share personal data in a virtual environment. Cloud computing is also making it difficult to determine the location of personal data and of the equipment being used at any given time. It is therefore crucial, the Working Party says, that the precise meaning of the provisions of the Directive dealing with applicable law are sufficiently clear.

The Working Party's Opinion focuses on key areas of the Directive, mostly arising from Article 4, that would benefit from further clarification with regard to the applicable law as a part of the revision of the general data protection framework. For example, there is a need to address inconsistencies in the wording used in Articles 4(1)a and 4(1)c with regard to "establishment", and the notion that the controller is "not established" in the European Union. To be consistent with Article 4(1)a which uses the criterion of "establishment", it is suggested that Article 4(1)c should apply in all cases where there is no establishment in the European Union that would trigger the application of Article 4(1)a, or where the processing is not carried out in the context of the activities of such an establishment.

The Working Party also suggests that some clarification would be useful with regard to the notion of "context of activities" of the establishment in Article 4(1)a. In the light of its observations on the degree of involvement of the establishment(s) in the activities, in the context of which personal data is processed, the Working Party considers that Article 4(1)a as it now stands leads to a workable, but sometimes complex, solution, which seems to argue in favour of a more centralised and harmonised approach.

For the sake of consistency the Working Party advocates a shift back to the country of origin principle: all establishments of a controller within the European Union would apply the same law regardless of the territory in which they are located. The location of the main establishment of the controller would then be the first criterion to be applied. The Working Party says that the fact that several establishments exist within the European Union would not trigger a distributed application of national laws.

The Working Party also suggests that additional criteria should apply when the controller is established outside the European Union, with a view to ensuring that a sufficient connection exists with EU territory, and to avoid EU territory being used to conduct illegal data processing activities by controllers established in third countries. In respect of Article 4(2), the Working Party calls for more harmonisation in the obligation of

controllers established in third countries to appoint a representative in the European Union, with the objective of giving more effectiveness to the role of the representative. In particular, the extent to which data subjects should be able to effectively exercise their rights against the representative should be clarified.

It will be interesting to see how the Commission reacts to the Working Party's Opinion, in particular the proposal for a change in the basis upon which "establishment" determines which Member State's law applies. The notion of "context of activities" in Article 4(1)a means that the applicable law is not the law of the Member State where the controller is established, but where an establishment of the controller is involved in activities relating to data processing. In the interests of simplicity and legal certainty, avoiding in this case the complex task of checking "who is doing what", in which establishment, based on a "distributive" approach to the application of national laws, the Working Party's proposal to determine applicable law primarily on the location of the main establishment of the data controller (with a more targeted equipment/means test for non-EU established entities) is likely to find support with businesses. However, a country of origin approach to regulation and the full harmonisation that goes with it are not always popular with all Member States.

## COMMERCIAL

### **OFT Response to Green Paper on Policy Options For Progress Towards a European Contract Law for Consumers and Businesses**

The Office of Fair Trading (OFT) has issued a response to the call from the Ministry of Justice for evidence and views on the European Commission's Green Paper on policy options for progress towards a European contract law for consumers and businesses. The OFT advocates a conservative and cautious approach to the EC's proposed policy options.

#### **BACKGROUND**

On 1 July 2010, the European Commission published its Green Paper on European Contract Law. The Green Paper sets out policy options for the purpose of bringing more coherence to contract law across the European Union. By way of context to the Green Paper, the problems associated with regulatory barriers and the legal uncertainty arising from inconsistency in Member States' contract laws was first addressed formally by the Commission in a 2001 Communication on European contract law (COM (2001) 398). The Commission's Action Plan of 2003 then proposed a Common Frame of Reference (CFR) containing common principles, terminology, and model rules to be used by the EU legislature when making or amending relevant legislation. A Draft Common Frame of Reference was published at the end of 2008. The Commission's Digital Agenda for Europe, issued 19 May 2010,

proposed the creation of an optional contract law instrument to complement a proposed Consumer Rights Directive.

In progressing these actions, the Commission's Green Paper considers what legal nature any instrument of European contract law should take, and sets out a range of potential options:

- Non-binding model contract rules drawn up by experts.
- A binding or non-binding "toolbox" for EU law makers to use when adopting new legislation.
- A Commission Recommendation on European contract law.
- A Regulation setting up an optional instrument of European contract law.
- A Directive on European contract law, aimed at harmonising national contract laws by implementing minimum common standards.
- A Regulation establishing a European contract law which would replace inconsistent national laws with uniform mandatory rules.
- A Regulation establishing a European Civil Code covering not only contract law, but also other types of obligations such as tort.

The Ministry of Justice issued a call for evidence on the Commission's proposals and the OFT responded on 3 December 2010.

#### **OFT'S RESPONSE**

The OFT prefers the least invasive proposal (publication of the findings of the Expert Group which, as the Green Paper acknowledges, would have no formal authority or status for courts and legislatures).

The OFT believes that the draft CFR will be a valuable reference document, but that it is inappropriate for the CFR to form an official toolbox for EU legislators: "It would be too rigid and could have unintended consequences for drafting future legislation; for example, in respect of definitions and remedies". The OFT supports consistency across future EC legislation as a longer-term aim and would prefer a voluntary "toolbox" for such a purpose.

In relation to the other options, which would involve formal EU instruments, the OFT is concerned that the benefits of these suggested policies would not outweigh the significant costs and time needed to implement them. The OFT also believes that an "optional" regime, such as a Regulation setting up an optional instrument of European contract law, would prove difficult to implement and unlikely to provide clarity for consumers. In

short, the OFT's response is conservative, advocating caution, restraint and further study.

***Fairstate Ltd v General Enterprise & Management Ltd: Purposive Construction, Rectification and Effectiveness of Guarantee***

Ruling on a preliminary issue as to the effectiveness or otherwise of a form of personal guarantee against liabilities arising under a contract to manage a block of flats in Marylebone High Street (*Fairstate Ltd v General Enterprise & Management Ltd* [2010] EWHC 3072 (QB)), Mr Richard Salter QC, sitting as a Deputy Judge of the High Court of England and Wales, found that the document in question was so badly drafted it was beyond curing, either by purposive construction or by rectification or by a combination of the two.

The Court accepted that there was nothing in the policy underlying the Statute of Frauds which prevents the application to guarantees of the modern principles of construction, as espoused by Lord Hoffmann in *Investors Compensation Scheme v West Bromwich* [1998] 1 WLR 896. In other words, the Court could ask itself what the form of guarantee would mean to a reasonable person having all the background knowledge that would reasonably have been available to the parties at the time the guarantee was given. But, as this case demonstrates, there will be a point at which material terms are insufficiently clear for a court to exercise its powers of purposive construction or of rectification to correct errors in a document which is relied upon to satisfy the requirements of the Statute of Frauds.

The policy behind Section 4 of the Statute of Frauds is to “avoid the need to decide which side was telling the truth about whether or not an oral promise had been made and exactly what had been promised”. It was quite clear, in this case, that the second Defendant knew what he was signing was a form of guarantee and that the Claimant was under the assumption that the guarantee covered the liabilities of the first Defendant under the management contract which, despite infelicities in its drafting, clearly recited the general purpose of such a guarantee.

The problem was that material terms of that guarantee so lacked clarity that to try to impose an interpretation on them would require the Court making assumptions about what the parties intended in the light of contested oral evidence from which not much was clear other than that the second Defendant knew he was signing a personal guarantee for the liabilities of the first Defendant. It was common ground that in order to comply with Section 4, the written agreement must state all material terms that had been agreed expressly. That clearly was not the case and the deputy judge had insufficient documentary evidence and conflicting oral evidence upon which to determine what those material terms might be. In the circumstances he was not prepared to make that determination.

As the draft guarantee produced by Fairstate also showed, the Court would have had to redraft material provisions without any certainty as to what was intended in that regard by the parties.

## MEDIA

***Jane Clift v Slough Borough Council: Defamation, Public Authorities, Qualified Privilege and The Human Rights Act***

In *Jane Clift v Slough Borough Council* [2010] EWCA Civ 1484, the Court of Appeal of England and Wales has held that, as Slough Borough Council was a public authority, the correct test to apply in this case was the duty/interest test, not the established relationship test.

The interesting issue in this appeal was how, if at all, the Human Rights Act 1998 affected a local authority's defence of qualified privilege in defamation cases. Examining all relevant case law and looking in particular at the distinction between an established relationship giving rise to the defence and the duty/interest test, the Court of Appeal held that, as Slough Borough Council was a public authority, the correct test to apply was the duty/interest test, not the established relationship test. The Court found that Slough Borough Council's publication to certain of its employees of Jane Clift's inclusion on its Violent Persons Register breached Ms Clift's Article 8 rights under the European Convention on Human Rights: any duty on the Council to disclose, the Court said, was outweighed by its duty to Ms Clift not to communicate information damaging to her reputation.

Essentially, the Court had to balance the conventional common law concept of qualified privilege as a public policy defence—designed to aid the uninhibited exchange of communications—and the duty of public authorities to comply with individuals' human rights under the Convention. The answer was, the Court said, located in the underlying reason for the qualified privilege defence, which was “rooted in public policy”. Therefore, it said, “The private interest in one's reputation is to be preferred to the public convenience of unfettered communication where there is no duty to communicate at all”. In other words, in the absence of a duty to communicate, the Council could not rely simply on an established relationship with the recipients as giving rise to the defence. Further, the Council was a public authority and therefore was bound to act in such a way as to comply with the rights granted under the Convention. This meant that it was, in fact, under a duty *not* to publish, rather than a duty to publish.

The result is that the Human Rights Act must specifically be taken into account when public authorities publish to interested parties material that is potentially defamatory. Further, any such publication must be proportionate if the defence of

qualified privilege is to apply. The question is to what extent this affects private parties, for example, individuals taking action against a newspaper. Newspapers obviously already take Article 8 into account in relation to the use of private information.

## E-COMMERCE, IT AND BANKING TECHNOLOGY

### **Joined Cases *Peter Pammer v Reederei Karl Schlüter GmbH & Co KG* and *Hotel Alpenhof GesmbH v Oliver Heller*: Circumstances in Which an Online Trader “Directs Its Activities” to Another Member State**

In *Peter Pammer v Reederei Karl Schlüter GmbH & Co KG* C-585/08 and *Hotel Alpenhof GesmbH v Oliver Heller* C-144/09 7 December 2010 (unreported), the European Court of Justice (ECJ) considered circumstances in which an online trader “directs its activities” to another EU Member State within the meaning of Article 15(1)(c) of the Brussels Regulation (44/2001/EC).

#### **BACKGROUND**

The Brussels Regulation provides that, as a general rule, actions against a person must be brought in the Member State of his domicile. However, cases resulting from a contractual relationship may be decided by the courts for the place of performance of the contractual obligation. Article 15(1)(c) provides that if a trader “directs its activities” to the Member State in which the consumer is domiciled, the consumer can bring proceedings before the courts of the Member State of his domicile and can be sued only in that Member State.

Pammer, an Austrian resident, booked a voyage by freighter with the German company Reederei Karl Schlüter, through a German internet travel agency. The vessel did not meet his expectations and he refused to embark. Having received only partial reimbursement of his fare, he issued proceedings in the Austrian courts for the balance. The Defendant contended lack of jurisdiction as it did not pursue any personal or professional activity in Austria.

Heller, a German resident, visited Hotel Alpenhof in Austria after having made a reservation online. Heller found fault with the hotel’s services and left without paying. The hotel issued proceedings in Austria and Heller pleaded lack of jurisdiction, arguing that he could only be sued in Germany.

The Austrian Supreme Court made references to the ECJ for guidance as to whether the fact that a company established in a Member State offers its services on the internet means that those services “are directed” to other Member States such that consumers domiciled in those other Member States who have recourse to the services also benefit, in the event of a dispute with the trader, from the more favourable rules on jurisdiction.

#### **DECISION**

The ECJ held that mere use of a website by a trader in order to engage in trade does not in itself mean that its activity is “directed to” other Member States. The trader must have manifested its intention to establish commercial relations with such consumers.

Evidence would include clear expressions of the trader’s intention to solicit the custom of those consumers, for example where it offered its goods or services in several Member States designated by name, or when it paid search engine operators for internet referencing services to facilitate access to its site by consumers domiciled in those Member States.

Other factors that would demonstrate the existence of an activity “directed to” a Member State of the consumer’s domicile include: the international nature of the activity at issue, such as certain tourist activities; mention of telephone numbers with the international code; use of a top level domain name other than the ccTLD for the State in which the trader is established, or use of a generic top level domain name such as .com or .eu; the description of itineraries from one or more other Member States to the place where the service is provided; and mention of an international clientele composed of customers domiciled in various Member States, in particular by presentation of accounts written by such customers. A website permitting consumers to use a language or currency other than that generally used in the trader’s Member State could also constitute evidence. The mention on a website of a trader’s email address or geographical address, or of its telephone number without an international code, would not constitute such evidence.

#### **COMMENT**

Although the list of evidence provided by the ECJ is non-exhaustive, this case provides useful guidance on when an internet business may be subject to actions by consumers in the courts of other Member States. It is for national courts to ascertain whether evidence exists that a particular trader’s activity is “directed to” other Member States by looking at particular websites as a whole.

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