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## PARALLEL IMPORTS AND TRADE MARKS

### Is a Trade Mark Infringed by Failure to Identify the Repackager of a Parallel Import?

In *Orifarm A/S and Paranova Danmark A/S v Merck Sharp & Dohme Corp* joined cases C-400/09 and C-207/10 28 July 2011 (unreported), the Supreme Court in Denmark sought clarification as to the applicability of the exhaustion of rights principle in relation to parallel imports.

#### BACKGROUND

Merck Sharp & Dohme Corp brought proceedings against Orifarm A/S for registered trade mark infringement on the grounds that Orifarm, which imported Merck's pharmaceutical products in parallel on to the Danish market, had wrongly identified itself as the company that had repackaged the products, thereby misleading the consumer and damaging Merck's marks. In a similar factual scenario, Merck brought separate proceedings against Paranova Danmark A/S.

Under the so-called doctrine of "exhaustion of rights", Article 7(1) of Directive 89/104 prohibits trade mark proprietors from asserting their rights in respect of products that they have already placed on the market in the European Economic Area. Article 7(2), however, provides an exception to this rule where there is a legitimate reason to oppose such further commercialisation.

At first instance, the Danish court found, in both sets of proceedings, that the Defendants had infringed Merck's trade mark rights by failing to disclose the identity of the actual repackager (in this case, related group companies), which Merck argued constituted a "legitimate reason". Both Orifarm and Paranova appealed the decisions to the Supreme Court in Denmark.

The Danish Supreme Court made a referral to the Court of Justice of the European Union (CJEU) in both cases, essentially asking whether a trade mark proprietor's rights are infringed when a pharmaceutical product is the subject of parallel importation by a company with appropriate authorisations to market and sell, but

which subsequently instructs a separate company to repackage the product, while listing itself as the repackager.

#### DECISION

Disagreeing with the Danish court, the CJEU held that Merck's trade marks had not been infringed by the Defendants' failure to disclose the name of the repackager.

The CJEU referred to a number of cases that have specified the conditions under which a parallel importer should repackage pharmaceutical products, one of those conditions being that the new packaging should clearly indicate the repackager of the product and the name of the manufacturer. In the circumstances at hand, however, the CJEU rejected Merck's argument that the consumer has an interest in knowing the name of the undertaking that actually repackaged the product. The CJEU said that it is clear from the wording of Article 7(2) of the Directive that the exception to the principle of the exhaustion of rights concept is limited to the protection of the legitimate interests of the trade mark proprietor, consumers can instead rely upon other legal instruments to protect their legitimate interests.

In respect of the trade mark proprietors' rights, they are protected by recourse against the repackager of the product, or indeed against the company on whose authorisation the repackaging was carried out, if the original condition of the product has been affected by the repackaging or the repackaging is likely to damage the reputation of the mark.

In these circumstances, the CJEU held, a trade mark proprietor cannot object to the parallel import of repackaged pharmaceutical products based only on the fact that the company responsible for the repackaging, rather than the actual repackager, is named on the packaging itself.

#### COMMENT

Despite the clearly stated requirement, developed pursuant to *Bristol-Myers Squibb and Others* [1996] ECR I-3457 and other case law, that the new packaging must indicate the name of the manufacturer and the party that repackaged the product, the CJEU did not interpret it literally. It is enough that the company responsible for the repackaging is identified. This decision highlights once again the restricted basis on which a trade mark proprietor can prevent parallel imports by relying on trade mark

rights. In this case, both the importer and the party that actually carried out the repackaging were in the same group of companies. Arguably the CJEU’s decision reflects the commercial realities of repackaging, which can often involve a number of entities within a group company.

#### UNREGISTERED DESIGN RIGHT

### High Burden of Proof Where Concerted Copying is Alleged

In *Pro-Tec Covers Ltd v Specialised Covers Ltd* [2011] EWPC 23, Richard Meade QC, sitting in the Patents County Court, has provided a detailed judgment on an unregistered design right infringement dispute, in which Pro-Tec had alleged that Specialised had undertaken “a concerted campaign of copying by at least four people, followed by a concerted campaign of lying about it and covering it up”. Although the judge could see why the circumstances of this matter *could* have given rise to suspicions of copying by Specialised, the evidence led to the opposite conclusion.

#### BACKGROUND

Pro-Tec designed and sold covers to protect the front face of caravans from dirt and debris whilst being towed (towing covers). Historically, towing covers consisted of a single sheet of fabric along with straps that would attach to the awning rail of the caravan. A problem with this historic design was that multiple straps needed to be attached to the awning rail. In 2009, Pro-Tec came up with an improvement. Rather than have multiple straps that had to be attached directly from the towing cover to the awning rail, one could have a separate fabric strip (strap strip) which in essence was a fabric-covered pole with straps that fitted into the awning rail (see figure 1). The strap strip would co-operate with the main part of the cover by means of the straps (see figure 2). This was said to make fitting the towing cover easier.



Figure 1



Figure 2

Specialised Covers Ltd also sold caravan covers, but prior to the action did not deal in towing covers. In January 2010, Specialised started work on designing towing covers. Around the same time,

Mr Lord, an ex-employee of Pro-Tec, started working as a salesman for Specialised. Mr Lord was said by Pro-Tec to have experience of their design for the strap strip. When Specialised later produced its own strap strip, Pro-Tec alleged that Mr Lord was specifically hired to facilitate the copying of Pro-Tec’s design, and Specialised’s resultant strap strip infringed Pro-Tec’s unregistered design right.

Specialised denied these allegations, stating that Mr Lord was hired for his sales ability and that they had no need to copy as they were already skilled in designing caravan covers in general.

#### DECISION

##### *The Question of Copying*

Due to the serious nature of the allegation made by Pro-Tec, “a concerted campaign of copying by at least four people, followed by a concerted campaign of lying about it and covering it up”, the judge applied the principle in *Re H Minors* [1996] AC 563 that the seriousness of the allegations was an important factor in assessing the balance of probabilities.

On assessing the evidence, the judge found that it was not compelling enough to allow him to accept such an allegation and outlined several ways in which it was flawed:

- If Specialised wanted to copy Pro-Tec’s design, it would have just bought the product instead of going through the trouble of hiring Mr Lord.
- Towing protectors were not big business.
- Specialised clearly had the skills and experience to capably design their own product.
- It was unlikely to put the alleged level of copying into an improvement as minor as the strap strip.
- Specialised had gone through three variant designs to arrive at the strap strip, a process they wouldn’t have needed if their original intention was to directly copy Pro-Tec’s design.
- The evidence did not point to Specialised knowing about Pro-Tec’s strap strip when they hired Mr Lord.

Ultimately the judge found that Specialised conceived of the general idea of a strap strip for the first time independently of Pro-Tec and that any similarities between Pro-Tec’s product and Specialised’s product were explained by their having “broadly the same design logic”.

##### *The Statutory Exclusions*

Although not strictly necessary in view of his finding that there was no copying, Mr Meade QC considered whether any of the features relied on by Pro-Tec were excluded from protection under the “must

fit” or “method or principle of construction” exclusions. He found that some were, but not all.

Notably the judge found that the case law on the “must fit” exclusion was “directed primarily if not exclusively at interfaces” and, as such, only that part of the strap strip that slotted into the awning rail would have been excluded. Indeed the strap strip as a whole was not a “must fit” feature as there were a number of ways the cover could be held in place.

#### TRADE MARK / PASSING OFF

### Foreign Companies Need Actual Customers in The United Kingdom to Establish Passing Off

In *Plentyoffish Media Inc v Plenty More LLP* [2011] EWHC 2568 (Ch), the High Court of England and Wales has held that a foreign company’s reputation in the United Kingdom does not equate to goodwill in the United Kingdom and that actual customers are needed to bring an action in passing off.

#### BACKGROUND

Plentyoffish has apparently been operating one of the largest online dating services in the world under the name “Plentyoffish” since 2002. The site is claimed to be the second most viewed dating website in the United Kingdom and one of the 150 most visited websites in the country. There is no charge to join Plentyoffish’s dating services as the site is funded by online advertising.

Plentyoffish applied for a declaration of invalidity in respect of the figurative mark shown below, registered for dating services, on the basis that use of the mark was liable to be prevented by the law of passing off, contrary to Section 5(4)(a) of the Trade Marks Act 1994. It argued that it had acquired goodwill in the United Kingdom in the sign “Plenty of Fish” and that using the registered mark would cause a misrepresentation and that damage would be suffered or likely to arise.

**plentymorefish**



Plenty More LLP, started an online dating agency plentymorefish.com in 2006. Allegedly, there had been instances of confusion between the two services. In particular, customers had registered with Plenty More’s service, believing that it was the

service operated by Plentyoffish, and had complained when money was debited from their credit cards.

Dismissing the application, the UK Intellectual Property Office held that the Section 5(4)(a) ground was not made out because Plentyoffish had no goodwill in the United Kingdom on the relevant date. Despite evidence of hits or visits to the website from the United Kingdom, Plentyoffish had not shown that it actually had any customers or business in the country.

On appeal, Plentyoffish argued that all that was needed was a “trade connection” and that this was satisfied by the large number of hits or visits to its site at the relevant time. Plentyoffish also contended that the UK visitors should be regarded as customers, submitting that, with around four million UK visitors in 2007, its website had the benefit of an attractive force in bringing people to the site, even if it had no actual customers in the United Kingdom. According to Plentyoffish, this indicated goodwill.

Plenty More LLP argued that in the case of a foreign claimant, the relevant goodwill had to be UK goodwill, that a distinction had to be drawn between goodwill and reputation, and that a mark might be known to the public in the United Kingdom, but that this was not enough to found a cause of action.

#### DECISION

Agreeing with Plenty More LLP, HHJ Birss found that a reputation in the United Kingdom was not sufficient and that customers in the United Kingdom were required whether the business provided products or services. The judge said that Plentyoffish’s “attractive force” submission had to be treated with care since it elided the existence of a reputation with the business to which the reputation must attach. It was clear on the authorities that a reputation alone was not sufficient.

This left the question of whether visitors to Plentyoffish’s site, regardless of their status as members, constituted customers. The judge accepted that the concept of “customers” must include people to whom the relevant services were actually provided, even if they received those services for free. The fact that they had not been charged was irrelevant provided Plentyoffish could show that it had indeed provided dating services to people in the United Kingdom. However, there was no evidence that before the relevant date visitors from the United Kingdom could even become members. The fact that Plentyoffish could earn money from its reputation was irrelevant. Plentyoffish had sought to equate visitors from the United Kingdom with “customers” on the basis that the business earned revenue from advertisers as a result of their visits or “hits”. The judge said that this argument had “lost touch with what the case is about”: a trade mark case about a sign used in relation to a particular class of service. For a member of the public to be a customer there still therefore had to be some sort of provision of the services in question.

TRADE MARK: NUMBERS AND COMPOSITE MARKS

## Top Jeans Brand 7 For All Mankind Could Lose Right to Branded Accessories Over Distinctiveness of “Seven”

In *Seven SpA v OHIM* T-176/10 6 October 2011 (unreported) the General Court annulled decision of the Board of Appeal of the Office of Harmonization for the Internal Market (OHIM) that rejected an opposition against the mark SEVEN FOR ALL MANKIND on the basis that the Board had erred in finding that there was no similarity between that mark and earlier composite marks featuring predominantly the word “seven”.

### BACKGROUND

In May 2005, the famous jeans company, 7 For All Mankind LLC, applied to register the word mark SEVEN FOR ALL MANKIND for various accessories within Classes 14 and 18. Seven SpA filed an opposition under Articles 8(1)(b) and 8(5) of Community Trade Mark Regulation (40/94/EC, now replaced by 207/2009/EC) based on three earlier composite “seven” marks, shown below, registered for goods in Classes 14 and 18 including rucksacks, leather goods and watches.



OHIM’s Opposition Division dismissed the opposition except as regards rucksacks in Class 18 and Seven SpA appealed. The Second Board of Appeal dismissed the appeal, finding that the opposing signs were not similar overall. In the absence of similarity between the signs there was no likelihood of confusion and therefore there was no need to establish whether the distinctive character or the reputation of the earlier marks had been proven, or to consider the other grounds of opposition based on Article 8(5).

Seven SpA applied to the General Court to annul the Board’s decision on the ground that the Board was wrong to find no similarity between the signs.

### DECISION

The General Court found a certain overall similarity between the marks at issue, annulling the contested decision and remitting the case back to OHIM. The Court disagreed with the Board that the word “seven”, like numerals in general, possessed very low distinctive character more accustomed to designating quantity or weight, holding that the Board should have carried out its analysis by reference to the goods at issue.

In the Court’s view, since the word “seven” did not have any particular link with the goods at issue, “seven” must be regarded as possessing an average degree of inherent distinctiveness. In any event, the importance of the presence of the word element “seven” in the overall impression of the trade marks must not be overlooked. Arguably, the element “seven” attracts the attention of the relevant public rather more successfully than the additional words “for”, “all” and “mankind”. Furthermore, for the English-speaking public, the expression “for all mankind” could easily be perceived as indicating the public for whom the trade mark is intended, and not as conveying an original and unusual message.

As regards the figurative elements, it was held that they are limited to an unoriginal typeface and, given their essentially ornamental function, are of lesser importance when compared with the word element “seven”, which will attract the attention of the relevant public to a greater extent.

The Court also found that, contrary to the Board’s finding, the marks were similar phonetically and conceptually. The similarity being primarily determined by the word “seven”, understood as being the main word to which the words “for all mankind” applied. The Court accepted that the three additional words “for”, “all” and “mankind” produced “a remarkable series of words”, but that was not sufficient of itself to dispel the phonetic similarity created by the common element “seven”.

### COMMENT

Numbers and numerals can pose problems for brand owners. First there is the perception that such marks are poor indicators of origin and therefore lack inherent distinctiveness, and yet when they are employed as indicators of origin, arguably they readily acquire distinctive character. The iconic 7 For All Mankind jeans brand is a classic example. Unfortunately for them, someone beat them to the punch in terms of claiming the European monopoly on the “seven” accessories brand.

When the case is remitted back to OHIM, 7 For All Mankind will have to hope that any arguments in respect of the reputation or acquired distinctiveness of the composite marks fall on deaf ears. Indeed, in light of the Court’s finding that the word “seven”, no matter how weak its distinctiveness, is prominent in the mark applied for and is “not insignificant” in the earlier marks, OHIM may feel compelled to find a likelihood of confusion in any case.

TRADE MARK

## General Court Upholds OHIM Refusal of CTM Application For Shape of Loudspeaker

In *Bang & Olufsen A/S v OHIM* T-508/08 6 October 2011 (unreported), the General Court upheld a decision by the Office of Harmonization for the Internal Market (OHIM) refusing Bang & Olufsen's Community trade mark (CTM) application for the shape of a loudspeaker, on the grounds that the mark consisted exclusively of the shape, which gave substantial value to the goods.

### BACKGROUND

In September 2003, Bang & Olufsen applied to register the following shape as a CTM, in respect of goods and services in Classes 9 and 20:



In 2005, OHIM rejected the application for lack of distinctive character, pursuant to Article 7(1)(b) of the CTM Regulation (40/94/EC, now replaced by 207/2009/EC), also ruling that it had not acquired distinctiveness through use under Article 7(3). The First Board of Appeal upheld that decision. The General Court allowed Bang & Olufsen's appeal. In 2006, the Board corrected its decision, stating that it had made an obvious mistake in failing to examine the application of that Article, but nevertheless refused the application as insufficient evidence had been produced to demonstrate acquired distinctiveness through use.

The Court again overturned the Board's decision on appeal, finding the shape to be "truly specific" and uncommon. Since the shape was not customary of the goods in the sector, it created a striking design that served both an aesthetic purpose and a trade mark function, as the relevant public would easily remember it. Following this judgment, the Board annulled the examiner's decision and re-examined the application on the basis of new absolute grounds for refusal (Article 7(1)(e)(iii)). The Board consequently rejected the

application, stating that the mark consisted exclusively of the shape, which gave substantial value to the goods. Bang & Olufsen again appealed to the General Court.

### ALLEGED PROCEDURAL ERROR

Bang & Olufsen argued that in their assessments, the examiner and the Board had impliedly ruled out the application of Article 7(1)(e)(iii) and that the General Court had also found that the aesthetic considerations were irrelevant to the distinctiveness of the mark. They also claimed that OHIM had maintained consistently that the mark comprised a shape essentially inspired by aesthetic considerations, but which did not give substantial value to the goods within the meaning of Article 7(1)(e)(iii). Accordingly, the Board should not have re-examined the application under that Article, as it had not been raised at the beginning of the proceedings.

The Court held that OHIM had jurisdiction to examine of its own motion the relevant facts that may have led it to apply a particular absolute ground for refusal. Since each ground was independent of the others and called for a separate examination, OHIM did not err in separately examining the application in light of Article 7(1)(e)(iii).

The Court also noted that in previous cases, Article 7(1)(e) was found to be a "preliminary obstacle", precluding from registration a mark consisting exclusively of the shape of goods, and that a mark offending any one of the criteria in that provision could never acquire distinctiveness through use for the purposes of Article 7(3). Although there was a possibility of registering a mark that offended Article 7(1)(b) but acquired distinctiveness pursuant to Article 7(3), the Court said the Board had no obligation to examine the application under Article 7(3) as Article 7(1)(e) was already offended.

### ALLEGED ERROR IN SUBSTANTIVE LAW

Bang & Olufsen submitted that the word "exclusively" in Article 7(1)(e)(iii) should have been interpreted strictly to mean that the substantial value of the goods must result from all elements of the shape. Elements other than the shape to which the consumer would be attracted and which contributed to the value of the goods should have been considered. Such elements included the functional features of the goods, their branding, and how they were promoted.

The Court dismissed as erroneous Bang & Olufsen's assertion that the shape did not fall within the scope of Article 7(1)(e)(iii), stating that the mark consisted exclusively of the shape of the goods as it represented the body of the loudspeaker, so much so that it created a striking design that was easily remembered by the relevant consumer.

Bang & Olufsen's argument that the Board should have considered other elements besides the shape was rejected. Although the perception of the relevant consumer in assessing the value of the goods was relevant in applying other absolute grounds, it was not a decisive element in the application of Article 7(1)(e)(iii) but, at most, only in the assessment of the essential characteristics of the mark.

The Court noted that the design of the loudspeaker was an essential element of Bang & Olufsen's branding and would be important in the consumer's choice, even with the consideration of the other technical qualities of the goods.

The evidence submitted, including extracts from distributors' websites and on-line auction or second-hand websites, showed that distributors emphasised aesthetic characteristics as a selling point and that the shape of the goods increased their value. Accordingly, OHIM did not err in finding that, independently of the other characteristics of the goods, the shape gave substantial value to the goods.

## DOMAIN NAMES

### Nominet Decisions May be Subject to Appeal to The High Court

In *Michael Toth v Emirates* [2011] EWPC 18, his Honour Judge Birss QC, refused to strike out an application seeking to overturn a decision of a Nominet appeal panel that the registration of a domain name was abusive within the Nominet Dispute Resolution Service (DRS) Policy. There was nothing in the contractual relationship between Mr Toth and Nominet to suggest that a decision of a Nominet expert or appeal panel was final.

## BACKGROUND

The Defendant in these proceedings, the airline Emirates, had filed a complaint under the Nominet DRS against the registration of *emirates.co.uk* by Mr Toth. On appeal, the Nominet panel found the registration abusive and ordered the transfer of the domain name to Emirates.

Mr Toth applied to the courts for a declaration that the domain name was not an abusive registration. Emirates applied to have that application struck out. It argued that the only basis on which a Nominet decision of this nature could be challenged was under the law relating to "expert determination". Mr Toth argued that for the law of expert determination to apply, the decision of the expert had to be "conclusive", which was not the case here.

## DECISION

The issue turned on the contractual relationship between Nominet and Mr Toth. It included the domain name resolution system at issue, which included the DRS Policy, which ran to 14 clauses, and the DRS Procedure, which ran to 19 clauses. It was all governed by the Terms and Conditions, which made it clear that the DRS was binding. The judge identified clause 17.c of the DRS Procedure as the key provision, viz:

*If the expert makes a Decision that a Domain Name registration should be cancelled, suspended, transferred or otherwise amended, we will implement that Decision by making any necessary changes to our domain name register database after ten (10) Days of the date that the Parties were notified, unless, during the ten (10) Days following the date that the Parties were notified we receive from either Party:*

- i. an appeal or statement of intention to appeal complying with paragraph 18, in which case we will take no further action in respect of the Domain Name until the appeal is concluded; or*
- ii. official documentation showing that the Party has issued and served (or in the case of service outside England and Wales, commenced the process of serving) legal proceedings against the other Party in respect of the Domain Name. In this case, we will take no further action in respect of the Domain Name unless we receive:*

*A. evidence which satisfies us that the Parties have reached a settlement; or*

*B. evidence which satisfies us that such proceedings have been dismissed, withdrawn or are otherwise unsuccessful.*

In the judge's view, clause 17.c was specifically intended to, and did, allow for a court review of the decision as to who owns a domain name. It was intended to allow a registrant, who was about to lose their domain name because a complainant was successful under the DRS, to come to court for relief, which relief was contemplated to be something that would have the result of stopping the transfer from taking place. The contract neither purported to preclude nor limit the court's jurisdiction in any way. There was no term that expressly provided that the determination by the expert or the appeal determination was final or conclusive. In the judge's view, clause 17 indicated quite the opposite. As such, the case law on expert determination did not apply in this case. Accordingly, the judge dismissed the application to strike out the declaration that the domain name was not abusive.

## COMMENT

Judge Birss was given "considerable concern" by the prospect of his decision opening the floodgates to litigation in relation to the Nominet DRS. Although this was only an application for strike out, it suggests that the process of recovering domain names has the potential to become much more expensive and time consuming.

JURISDICTION/DAMAGES/ PERSONALITY RIGHTS

## Jurisdiction to Award Damages For Online Infringement of “Personality Rights” Clarified

The Court of Justice of the European Union (CJEU) has ruled that victims of infringements of “personality rights” by means of the internet can choose to bring actions before the courts of the Member State in which they reside in respect of *all* the damage caused. The CJEU also held that the operator of an internet website covered by the E-commerce Directive cannot be made subject to requirements stricter than those provided for by the law of the Member State in which it is established.

In *eDate Advertising GmbH v X* and *Olivier Martinez v MGN Ltd* 25 joined cases C-509/09 and C-161/10 October 2010 (unreported), the Court of Justice of the European Union (CJEU) ruled that victims of infringements of “personality rights” by means of the internet can choose to bring actions before the courts of the Member State in which they reside in respect of *all* the damage caused. The CJEU also held that the operator of an internet website covered by the E-commerce Directive cannot be made subject to requirements stricter than those provided for by the law of the Member State in which it is established.

### BACKGROUND

Following the publication of an article on the *Sunday Mirror's* website in February 2008, the French actor Olivier Martinez and his father issued proceedings in France against Mirror Group Newspapers (MGN) alleging interference with their private lives and infringement of the right of Olivier Martinez to his image.

The case was brought under Article 9 of the French Civil Code, which provides that “everyone has the right to respect for his private life”. MGN challenged the jurisdiction of the French court, arguing that there was no sufficiently close connecting factor between the placing online of the information in the United Kingdom and the alleged damage in French territory. The reference by the French court to the CJEU was joined with a separate reference from an Austrian court on the same issue.

The focus of the references was Article 5(3) of the Brussels Regulation, which provides that in matters relating to tort, delict or quasi-delict, a person may be sued in a Member State “where the harmful event occurred or may occur”. The question for the CJEU was, therefore, how that expression was to be interpreted in the case of online content.

### DECISION

The CJEU began by noting that the expression “place where the harmful event occurred” is intended to cover both the place

where the damage occurred and the place of the event giving rise to it. Previous CJEU case law concluded that in such circumstances an action can either be brought in the Member State in which the publication is established for *all* the damage caused, or in each Member State where the damage occurred but *only* for the damage occurring in that Member State.

The CJEU held that the placing of content on the internet was to be distinguished from the regional distribution of printed matter by reason of the fact that it could be consulted instantly by an unlimited number of internet users worldwide. It therefore held that the “connecting criteria” must in the current circumstances be adapted such that a person who has suffered an infringement of a personality right by means of the internet may bring an action in one forum in respect of all of the damage caused. It then held that since the court of the place where the victim has his “centre of interests” is in the best position to assess the liable impact on his personality rights of the material placed online, that court should have jurisdiction in respect of all damage caused within the European Union. In that context, the CJEU stated that the place where a person has the centre of his interests would generally, but not necessarily, correspond to his habitual residence.

Finally, in interpreting the E-commerce Directive, the CJEU ruled that the principle of the freedom to provide services precluded, in principle, the provider of an electronic commerce service from being made subject, in the host Member State, to requirements stricter than those provided for by the law of the Member State in which that service provider is established.

### COMMENT

Personality or image rights, inasmuch as they exist in the United Kingdom, are a less elastic concept than in other jurisdictions. The prospect of being drawn into jurisdictions that recognise the maintenance of one’s image as a right in itself will be of concern to UK publishers, especially as courts in such territories have jurisdiction over all damage suffered. Whilst the caveat that stricter requirements cannot be imposed is some comfort, it is not at all clear whether that extends to remedies. Other Member States may be inclined to award damages for privacy breaches that are more generous than those awarded in the United Kingdom.

ADVERTISING

London 2012: Advertising in the event zones

England, Scotland and Wales are currently developing secondary legislation to regulate advertising activity and trading in open public places around Olympic and Paralympic events during the 2012 Games. The UK Government has published its response to the consultation on advertising and trading Regulations. Following the consultation, the Government has amended the draft Regulations to address the concerns raised over, for example, the unnecessarily broad definition of advertising and potential interference with local businesses.

ADVERTISING

Respondents raised concerns about the definition of advertising in the draft Regulations. In response, the Government accepted that there was a risk of individuals unintentionally breaching the Regulations by simply going about their normal daily activities, such as viewing the internet on a smartphone, or carrying personal items with visible branding, and amended the Regulations accordingly.

The Government recognised that wherever a restricted zone is marked out, advertising and trading will be pushed outside of it. It has accordingly made it clear in the Regulations that arranging (at any time) for advertising activity to take place in an event zone when the Regulations apply will contravene the Regulations.

As for ambush marketing and unauthorised commercial exploitation, the Government said that pursuing those who stand to benefit most from this practice and who are actually culpable, such as company directors and land owners, acts as a powerful deterrent. In practice, the prosecutor might find it difficult to prove beyond reasonable doubt that the accused committed an offence.

TRADING

Here, the Government said that it wants local existing businesses to be able to trade as normal where possible and benefit from additional opportunities brought about by the Games. To help meet this aim the Government will amend the Regulations to: a) permit deliveries of non-perishable goods as well as perishable goods; b) allow the sale and distribution of newspapers and periodicals during Games times (but will retain the proviso that sellers and distributors must not cause “undue interference or inconvenience to persons using the street” in order to protect the objective of allowing unheeded access to Games venues); and c) allow “pedicabs” and rickshaws to enter the zone as they are deemed to be public transport, although, as such, they will have to comply with any other laws that regulate their business. The Government also intends to amend the Regulations to capture unlawful pedlars and unregulated charity operators.

EVENT ZONES AND REGULATED AREAS

The Government extended some zones to capture coach drop-off points and provide clear walking routes from public transport hubs, as well as taking into account high rises where there is a risk of ambush advertising. Famous London buildings, e.g., Westminster Abbey, are also seen as a potential risk for ambush marketing.

AUTHORISATION AND ENFORCEMENT

The Government will be producing a Detailed Notice providing comprehensive information on the requirements of the Regulations. This will translate the Regulations into an easy to follow format suitable for all businesses that may be affected.

The authorisation process for trading within the zones will open before the end of the year.

Regarding enforcement, most respondents are happy with the approach of the Olympic Delivery Authority (ODA). Local authority respondents said that the ODA would need to prepare and deliver a comprehensive training package to educate enforcement officers on the Regulations and emphasise the light touch approach to stave off any claims of overzealous enforcement.

The ODA said that enforcement powers would only be deployed in “unavoidable situations”, such as where there is deliberate, targeted ambush marketing or persistent and intentional disregard of ODA advice. The ODA says that it will provide comprehensive information on its website and will enable individual enquiries from traders to be made through the website or *via* a helpline once the application process has opened.

CONCLUSION

The consultation exercise appears to have been a useful one and the Regulation changes have been viewed as largely positive.

COMMERCIAL/EU CONTRACT LAW

Draft Regulation on The Optional EU-Wide Contract Law Proposed by The European Commission

Following the European Parliament’s backing of the proposal made by European Commission Vice-President Viviane Reding to introduce an optional Europe-wide contract law, the European Commission has proposed a Regulation on a Common European Sales Law, offering a single set of rules for cross-border contracts in all 27 EU Member States.

BACKGROUND

On 11 October 2011, the Commission published a proposal for a Common European Sales Law Regulation (the Proposed



Regulation), often referred to as the “28th Regime”. The Proposed Regulation aims to harmonise the contract laws of the 27 EU Member States by creating a second contract law regime, identical throughout the European Union, that would sit alongside pre-existing national contract legislation. The Sales Law would apply:

- To cross-border contracts, although Member States will also have the option of making the law applicable to domestic contracts.
- To contracts for the sale of goods, for the supply of digital content and for the provision of related services.
- To business-to-consumer (B2C) and business-to-business (B2B) transactions where at least one party is a small or medium sized enterprise (SME).
- If one party to the contract is established in an EU Member State, then parties from third countries may choose to apply the Sales Law to the contract.
- Only if all parties voluntarily and expressly agree to it. In B2C contracts, the choice of the Sales Law will be valid only if the consumer’s consent is given by an explicit statement separate from the statement indicating the agreement to conclude a contract.

Part I of the Proposed Regulation sets out the general principles of contract law that all parties will need to observe in their dealings, such as good faith and fair dealing. The principle of freedom of contract also assures parties that, unless rules are designated explicitly as mandatory, they can deviate from the rules of the Sales Law.

Part II on “making a binding contract” contains provisions on consumers’ rights to receive essential pre-contractual information. For example, a business concluding a distance or off-premises contract must disclose to the consumer any information concerning “the main characteristics of the goods, digital content or related services to be supplied”. Part II also contains specific provisions that give consumers a right to withdraw from distance and off-premises contracts. Finally it includes provisions on avoidance of contracts resulting from mistake, fraud, threat or unfair exploitation.

Part III contains general provisions on contract interpretation. Contracts are to be interpreted according to “the common intention of the parties, even if this differs from the normal meaning of the expressions used”. Moreover, in interpreting a contract, regard may be had to the circumstances in which it was concluded, “including the preliminary negotiations” as well as the general concepts of good faith and fair dealing.

Part III also contains rules on the content and effects of contracts as well as which contract terms may be unfair and therefore invalid. Certain terms will always be unfair, for example those excluding or limiting the liability of traders for

any loss or damage to consumers caused deliberately or as a result of gross negligence. There are also contract terms presumed to be unfair, including those that exclude or limit remedies available to consumers against traders, or “enable a trader to alter unilaterally without a valid reason contractual terms”.

The Proposed Regulation makes provision for non-performance, interest on late payments and a “model instruction on withdrawal” that must be provided to the consumer before a distance or an off-premises contract is concluded.

The Proposed Regulation has now been sent to the European Parliament and the European Council, which will work closely with the Commission and the parliaments of each of the 27 EU Member States to agree a definitive text. The Commission will also work closely with the relevant market participants, namely SMEs and consumers, to achieve broad acceptance of the Sales Law.

#### PRIVACY: SOCIAL NETWORKING

### Social Networking Sites Could do More to Protect Minors’ Privacy

On 30 September 2011, the European Commission published a Report on an Assessment of the Implementation of the Safer Social Networking Principles for the EU. This is the second of two EU reports this year to find that social networking sites could do more to protect minors’ privacy.

#### THE REPORT

The Commission is currently reviewing the protection of minors online from risks such as grooming and cyber-bullying as part of the objective set by the Digital Agenda for Europe to enhance trust in the internet. The Safer Social Networking report is part of its commitment to support the industry’s self-regulatory initiative. Part of this initiative includes adherence to the seven Safer Social Networking “Principles”. These are:

1. Raise awareness of safety education messages and acceptable use policies to users, parents, teachers, and carers in a prominent, clear, and age-appropriate manner.
2. Work towards ensuring that services are age-appropriate for the intended audience.
3. Empower users through tools and technology.
4. Provide easy-to-use mechanisms to report conduct or content that violates the Terms of Service.

5. Respond to notifications of illegal content or conduct.
6. Enable and encourage users to employ a safe approach to personal information and privacy.
7. Assess the means for reviewing illegal or prohibited content or conduct.

The report examines the implementation of these Principles in the European Union in relation to blogging and gaming, platforms, photo and video sharing platforms, platforms that have some social networking functionalities, and platforms that allow the creation of personal profiles with the possibility of uploading blog entries, photos, and updates, such as social networking sites.

The report deals with the extent to which particular social networking sites had implemented its commitments. Nine social networking sites were tested. The assessment showed that only two of these have default settings that make minors' personal profiles accessible only to their approved list of contacts. However, all services were "very satisfactory" on raising awareness, and the majority were "very satisfactory" on age-appropriate services. The best services in this respect were those that do not allow registration of underage users, have effective mechanisms in place to prevent re-registration, and do not have any "inappropriate content". Two sites ensure that, as a default setting, minors can be contacted only by friends *via* public or private messages. However, in all the sites tested, minors can be sent friend requests by anyone, and on six of the sites, minors' profiles can be accessed directly by friends of friends

### OUTSTANDING SHORTCOMINGS

Whilst many of the findings were positive, it would appear that the main worry identified by the assessment was in connection with perhaps the most important of the seven Principles, Principle 3: "empower users". In short, social networking sites could do more to protect minors' privacy. The problems clearly need to be addressed if the Principles and commitments are to be complied with.

Neelie Kroes, Vice President of the European Commission for the Digital Agenda commented:

*Young people enjoy and derive great benefits from social networking online but are often not conscious enough of risks such as grooming. Social networking sites need to take seriously their responsibilities towards these youngsters. I intend to address these issues later this year in a comprehensive strategy on making the internet a safer place for children through a combination of protective and empowerment measures.*

### DATA PROTECTION: COMPULSORY AUDITS

#### Information Commissioner Calls For Compulsory Data Protection Audits

The Information Commissioner has called for an extension of powers to order the compulsory data protection auditing in sectors that are causing concern over their handling of personal information.

### BACKGROUND

Speaking at the 10th annual data protection compliance conference in London held on 12 and 13 October, Information Commissioner Christopher Graham said that compulsory audits should be extended to the health service and the private sector in order to ensure compliance with the law. Currently, the only compulsory data protection audit powers the Information Commissioner's Office (ICO) has are for central government departments. For all other organisations the ICO has to obtain consent before an audit can take place.

Private sector businesses remain the sector generating the most data protection complaints. Despite this, just 19 per cent of companies contacted by the ICO accepted the offer of an audit. In addition, the ICO has written to 29 banks and building societies and so far only six (20 per cent) have agreed to undergo an audit. The insurance sector has also shown reluctance; of the 19 companies contacted this year by the ICO, only two agreed to an audit. At the moment, organisations have a choice, but if Mr Graham has his way that will change. He noted:

*Something is clearly wrong when the regulator has to ask permission from the organisations causing us concern before we can audit their data protection practices. Helping the healthcare sector, local government and businesses to handle personal data better are top priorities, and yet we are powerless to get in there and find out what is really going on.*

He insists that extended audit powers are urgently needed and has confirmed that the ICO is preparing a business case for the extension of its Assessment Notice powers under the Coroners and Justice Act 2009 to cover "these problematic sectors".

### COMMENT

Mr Graham has told businesses that they should see consensual audits as a "badge of honour", but the message appears to have fallen on deaf ears. The reality appears to be that businesses are not confident that a badge of *dishonour*, and even a fine, won't quickly follow should they expose themselves to an internal examination by the ICO. But as is frequently pointed

out, by ignoring the ICO's requests for voluntary audits, businesses face higher fines if something does go wrong.

The ICO has made clear that failure to report security breaches would result in tougher sanctions in the event that a data breach does occur. Refusing to be audited and then failing to report a serious breach could therefore result in a substantial fine. Some businesses may feel that they exist under the ICO's radar. For more high profile companies, however, the perceived risks of exposing their businesses to the ICO's scrutiny appear to outweigh the benefits.

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