Hammonds

COMMERCIAL AND INTELLECTUAL PROPERTY LAW BULLETIN

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Please click on the following links to go directly to your area of interest:

Commercial Intellectual Property E-Commerce Data Protection

This month's bulletin includes a review of a High Court decision concerning the application of TUPE to outsourcing agreements, a briefing on the ECJ's ruling on implied consent in trade mark exhaustion cases and an update on the introduction of custodial sentences for the misuse of personal data offence under the DPA.

The next edition of this bulletin will be issued at the end of December, covering commercial and IP developments during November and December.

COMMERCIAL

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Final Regulations implementing Services Directive published

The department for Business, Innovation and Skills (BIS) has published the final draft of the Provision of Services Regulations 2009. The Regulations implement the EU Services Directive and will come into force on 28 December 2009. The Directive primarily places a number of obligations on national regulatory authorities to remove red tape to make it easier for businesses to trade cross border. However, some of its provisions impact directly on businesses by, in particular, requiring them to give additional information to their customers prior to or at the time of entering into a contract with them. BIS has also published some guidance for businesses on how the Regulations will apply to them.

Click here for a copy of the Provision of Services Regulations

Click here for Hammonds' guidance for businesses on the Services Directive

Click here for a copy of the BIS guidance

High Court clarification of illegality defence

As a matter of public policy, the courts will not allow a claimant to enforce an illegal contract or otherwise to benefit from his own wrongdoing. In the case of *K/S Lincoln v Richard Ellis Hotels*, the High Court has given some much needed clarification on the scope of the illegality doctrine.

Facts

Richard Ellis Hotels (R) agreed to value eight hotels for K/S Lincoln (L). L subsequently claimed that R had been negligent in its valuations and brought proceedings for negligence and breach of contract. R's total damages claim was more than £7.5 million. L calculated and pleaded the quantum of damages in two ways:

(1) by comparing R's negligent valuation with a non-negligent valuation for each hotel adding to that sum an additional amount for wasted costs;

(2) by comparing the price actually paid by L for each hotel with the non-negligent valuations. L said that the total purchase price was made up of two separate figures, namely the sum paid to the seller plus an additional 8% of that sum which L paid to a property location agent.

In paragraph 58.2 of its defence, R argued that L had added the 8% uplift to its damages claim for tax evasion purposes and that L's claim should, therefore, fail for illegality.

L argued that R had not given sufficient information setting out the full particulars of its allegation of illegality. L applied to strike out paragraph 58.2 of R's defence.

Decision

The High Court considered a number of authorities on the doctrine of illegality and derived the following general principles:

(1) "Contracts which are entered into with the intention of committing an illegal act will not generally be enforced (see *Stone & Rolls Limited v Moore Stephens* [2009]) although, in exceptional cases, the intended illegality may be so remote to the subject matter of the claim as to make the contract enforceable (see *21st Century Logistic v Madysen Limited* [2004]);

(2) In a case where a claimant is not seeking to enforce an unlawful contract but founds his case on collateral rights acquired under that contract, and where illegality does not, of necessity, form part of the claimant's case, the claim may well succeed (See *Tinsley v Milligan* [1994]) although the comments by Lord Phillips in *Stone v Rolls* and Lord Hoffman in *Gray v Thames Trains Limited* [2009] may indicate that this more generous approach may be confined to property cases;

(3) The court will not generally assist a claimant to recover the benefit of this own wrongdoing, whether or not the claimant has pleaded or expressly relied on the illegality in making the claim (see *Stone v Rolls*);

(4) Although the test is no longer to ask if the public conscience is affronted by the allowance of such a claim (see *Tinsley v Milligan*), it seems clear that the underlying principle or policy is one of deterrence; that the courts will not encourage illegal acts by allowing the claims based on them."

In this case, the court proceeded on the assumption that L had structured the hotel acquisitions so as to facilitate tax evasion. It said that L's claim was based on an alleged duty of care/breach of contract by R. Neither the duty, nor the alleged contract between L and R, was tainted by illegality. The illegality was, therefore, too remote from the alleged duty of care/breach of contract and the defence in paragraph 58.2 was, therefore, "very likely to fail".

However, this conclusion was subject to one qualification. The 8% uplift was only relevant to L's alternative calculation of damages. If that was the right way of assessing the loss, then R would have a strong argument for saying that the comparator should be the price paid to the seller without the 8% uplift, in circumstances where the 8% was based on a fraudulent arrangement. The 8% claim might fail for illegality, but the rest of the claim would be unaffected by it. In that way, the court would not be assisting a claimant to benefit from his own wrongdoing.

Because of the complexities of the doctrine of illegality, the court was reluctant to strike out paragraph 58.2 prior to disclosure and before any evidence had been exchanged. It took a case management approach to deal with the matter justly and cost effectively which was to give L the choice of proceeding with its claim for the 8% uplift or amending its claim to remove it. If it decided to pursue this claim, R then had to decide whether to pursue its defence of illegality to the next step of disclosure and took a risk on costs if, following this exercise, L's claim was not struck out. In effect, the parties would resolve the issues for themselves as their strategies would be driven by strength of claim and cost issues.

Comment

The doctrine of illegality is unclear and complex. This case is interesting in setting out succinctly some of the general principles followed by the courts in applying this doctrine.

The Law Commission has called this area "technical, uncertain and arbitrary" and is reviewing the current law. It has provisionally recommended that the law should be developed through case law rather than legislation. The Commission's final report on the development of the doctrine of illegality is expected by the end of the year.

This case is also useful in clarifying the scope of the illegality defence. It confirms that where illegality taints one aspect of a claim but not another, only the tainted part of the claim will fail. The illegality defence will not operate to cause the entire claim to fail.

The court chose to adopt a case management approach to the issues. If L did add the 8% uplift as a means of tax evasion then, given the choice offered by the court, it would presumably amend its claim by deleting it. R would then delete paragraph 58.2 which was the subject of L's application to the court in the first place. The issue would then be resolved. If L chose to pursue its claim for the 8% uplift then R would have to decide whether to go ahead with its defence of illegality to the next stage of disclosure. The party which was ultimately unsuccessful would have to pay the costs of that exercise.

Further reading

Click here for a copy of the judgment

Narrow definition of "activities" disapplies TUPE in outsourcing arrangement

In *OCS Group UK Ltd v (1) Jones (2) Ciliza*, the Employment Appeal Tribunal (EAT) has considered the service provision changes aspects (regulation 3(1)(b)) of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) in the context of the transfer of a catering contract. By adopting a narrow definition of the "activities" carried out by the outgoing and incoming contractors respectively the EAT found that TUPE did not apply to the transfer of the contract.

Background

TUPE applies where there is a 'relevant transfer'. This includes both a business transfer (regulation 3(1)(a)) and a service provision change (regulation 3(1)(b)). There will be a service provision change where one of the following occurs:

(i) A client ceases to carry out activities on its own behalf and assigns them to a contractor.

(ii) The activities cease to be carried out by the contractor and are reassigned to a subsequent contractor or contractors.

(iii) The activities cease to be carried out by the contractor or subsequent contractor(s) and are brought back in-house to the client.

Regulation 3(1)(b) requires "activities" carried out before the transfer to be carried out by another person after the transfer. This raises the question of whether the post-transfer activities must be identical to the pre-transfer activities for a service provision change to occur (and for TUPE to apply) and it was this question that was considered in this case.

Facts

In April 2005, OCS entered into a contract to provide catering services at the BMW car plant at Cowley. OCS contracted to provide a centrally located restaurant, a deli bar facility, four 'satellites' and a general shop. The satellites provided English and continental breakfast, beverages, a lunch involving hot soup and hot meals, vegetables, a salad bar, hot and cold baguettes, sandwiches, rolls, pizza and jacket potatoes, hot and cold

desserts and normal beverages. Jones and Ciliza (and others) were employed by OCS to work in the satellites and spent a "great deal of time" in the preparation of the hot meals.

In August 2007, MIS took over the catering contract. There was then an issue as to whether a service provision change had occurred and TUPE applied to the transfer.

MIS provided a substantially reduced meals service comprising of five dry goods kiosks and the satellites sold only pre-prepared sandwiches and salads. There was no requirement for hot food preparation at the satellites. The Tribunal considered regulation 3(1)(b)(ii) and found that TUPE did not apply as the service carried out by MIS was "*materially different*" to that provided by OCS. It said that "*the operation had changed from the provision of a full canteen service where [Jones and Ciliza] were chefs to them becoming sales assistants in a kiosk".*

OCS appealed. It argued that the tribunal had wrongly focused too closely on the change in the detail of the activities carried out by OCS and MIS and had failed to properly identify the core activities common to both contracts, namely the provision of food for staff at the BMW plant. It argued that a narrowed down definition of activities was problematic and would have the effect of disapplying TUPE where MIS had merely changed the style of the menu (from English type cuisine to Asian type cuisine, for example), which would lead to an absurd result.

Decision

The EAT upheld the tribunal's decision. It said that to determine whether regulation 3(1)(b)(ii) applied it was necessary to define the activities carried on by the first contractor and to determine whether those activities had transferred to the second contractor. It said that this required it to take a "*detailed look*" at what was actually being carried on by the employees under the old and new contractors.

The EAT also said that where there was an argument that the activities carried on by the new contractor were different from those carried on by the old contractor, the approach adopted in *Metropolitan Resources Ltd v (1) Church Dulwich (2) Cambridge* should be relied upon. This required the EAT to take a "*commonsense and pragmatic*" approach and to ask whether the "*activities carried on by the alleged transferee are fundamentally or essentially the same as those carried on by the alleged transferor*". This was a question of "*fact and degree*" to be assessed on the available evidence in each case.

The tribunal had adopted the correct approach in defining the activities carried on OCS and MIS respectively. It was clear from the detail of the OCS and MIS contracts that OCS had been obliged to provide a full catering service and that MIS was not. OCS employees went from being skilled chefs to kiosk sales assistants. This was not merely a change of menu or style of food and meant that the OCS operation was "*wholly different*" from that run by MIS. Accordingly, the tribunal had been correct in finding that TUPE did not apply to the transfer of the catering contract from OCS to MIS.

Comment

Although this decision does not create new law, it is a useful reminder that, for the purposes of regulation 3(1)(b) of TUPE, the pre and post transfer activities need not be identical and minor differences in the nature of tasks carried on or the mode of performance of those tasks will be ignored. Nevertheless, the activities must be fundamentally or essentially the same and not wholly different. This will of course depend on how a tribunal defines "activities" in each particular case. It is to be assumed that tribunals will generally define the activities as broadly as possible in order to give effect to the purpose of TUPE (to safeguard employees' contracts in transfer situations). However, if a tribunal chooses to adopt a narrow definition, then TUPE may not apply. This decision offers some scope for incoming contractors to argue that TUPE does not apply to the transfer of 'activities' to them.

Further reading

Click here for a copy of the EAT's decision

Courts required to assess of their own motion whether terms fair under UTCCR 1999

In a reference from the Spanish courts in the case of *Asturcom Telecomunicaciones SL v Maria Cristina Rodriguez Nogueira*, the ECJ has considered whether, in proceedings involving a term in a consumer contract, a national court must consider of its own motion whether that term is unfair within the Unfair Terms in Consumer Contracts Directive (*93/13/EEC*) (the Directive).

Background

Article 6(1) of the Directive provides:

> "*Member States shall lay down that unfair terms used in a contract concluded with a consumer by a seller or supplier shall … not be binding on the consumer …*".

The Annex to the Directive contains an indicative list of terms that may be regarded as unfair. These include terms that have the object or effect of:

> "*excluding or hindering the consumer's right to take legal action or exercise any other legal remedy, particularly by requiring the consumer to take disputes exclusively to arbitration not covered by legal provisions, unduly restricting the evidence available to him or imposing on him a burden of proof which, according to the applicable law, should lie with another party to the contract*".

The Directive was implemented in the UK by the Unfair Terms in Consumer Contracts Regulations 1999 (UTCCR). Section 5 of the UTCCR provides:

> *"A contractual term which has not been individually negotiated shall be regarded as unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer.*"

Under section 8, an unfair term will not be binding on the consumer. The OFT has primary responsibility for enforcement of the UTCCR.

Facts

Mrs Nogueira (N) entered into a fixed term mobile phone contract with Asturcom (A). The contract contained an arbitration clause under which any dispute was to be referred to arbitration.

N failed to pay a number of bills and terminated the contract before the expiry of the fixed term. A initiated arbitration proceedings. The arbitration award ordered N to pay EUR 669.60. Under the relevant provisions of Spanish law, because N did not initiate proceedings for the annulment of the award within two months of notification of it, the award become final. A brought proceedings for enforcement of the award. The court made a reference to the ECJ for a ruling on whether, as a part of the enforcement proceedings, it was required to consider of its own motion whether the arbitration clause was unfair under the Directive.

N did not participate at all in the arbitration or enforcement proceedings.

Decision

The ECJ held that the court was required to consider of its own motion whether the arbitration clause was unfair under the Directive. It was irrelevant that the parties to the action had not put this issue before the court. It held that the Directive must be interpreted as meaning that:

> "*a national court … hearing an action for enforcement of an arbitration award which has become final and was made in the absence of the consumer is required, where it has available to it the legal and factual elements necessary for that task, to assess of its own motion whether an arbitration clause in a contract concluded between a seller or supplier and a consumer is unfair, in so far as under national rules of procedure it can carry out such an assessment in similar actions of a domestic nature*".

Comment

The UK courts will be bound by this interpretation of the Directive. The ECJ's decision is of interest because, assuming it extends beyond merely arbitration clauses, its effect is likely to be to extend the scope of the UTCCR's and the role of the courts in enforcing it.

Currently, only the OFT (and a small number of other regulatory bodies) have the power to investigate, and seek injunctions to prevent, the use of unfair terms in consumer contracts. The ECJ's ruling suggests that the courts must also now take on an enforcement role. When a term in a consumer contract is in issue before a court, the court has a duty to assess of its own motion whether that term is fair under the UTCCR. That is the case even if the issue of fairness is not in issue in the proceedings and has not been put before the court by the parties to the dispute.

This is likely to mean that more unfair terms in consumer contracts will be identified than has been the case in the past and held to be unenforceable. Businesses contracting with consumers must review their standard terms and conditions to ensure that they do not contain unfair terms which, if declared void, could adversely affect their position.

Further reading

Click here for a copy of the ECJ's judgment

Exclusive jurisdiction clause does not apply to non-parties to the agreement

In *Morgan Stanley & Co International Plc v China Haisheng Juice Holdings Co Ltd*, the High Court considered whether an exclusive jurisdiction clause extended to claims made against a non-party to an agreement.

Facts

Morgan Stanley & Co International Plc (MSIP) was an English company and Morgan Stanley Asia Limited (MSAL) was a Hong Kong company, both within the Morgan Stanley group. China Haisheng Juice Holdings Co Ltd (CH) was a Cayman Islands company listed on the Hong Kong stock exchange.

MSAL was assisting CH to obtain external investment. MSAL also advised CH on how its currency exchange risk might be hedged and a currency swap was proposed. In early July 2008, CH and MSIP (not MSAL) entered into an ISDA Master Agreement (the Master Agreement).

Clause 13 of the Master Agreement provided as follows:

"13(a) ***Governing law***

This Agreement will be governed by and construed in accordance with the laws of England and Wales.

13(b) ***Jurisdiction and third party rights***

(i) ***Jurisdiction****. With respect to any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement ("Proceedings"), each party:*

(1) irrevocably submits to the exclusive jurisdiction of the English courts

(2) waives any objection it may have at any time to the laying of venue of any Proceedings brought in such a court….

(ii) ***Third party rights***

(1) Subject to this clause, a person who is not a party to this Agreement has no right under the Contract (Rights of Third Parties) Act 1999 to enforce any term of this Agreement.

(2) Notwithstanding the foregoing, an Affiliate may enforce the rights expressly granted to an Affiliate under this Agreement, if any, subject to and in accordance with this clause, Section 13 (a) and (b) of this Agreement and the provisions of the Contracts (Rights of Third parties) Act 1999…".

In late July and August 2008, two currency swaps were executed.

In April 2009, CH commenced proceedings against MSIP and MSAL in China claiming rescission of the currency swap agreements and compensation for the losses suffered by CH. It claimed that the swaps, which were purported to be bespoke and for its benefit, were unsuited to CH and its business and had exposed it to unnecessary financial risks.

CH refused to pay MSIP monies due under the Master Agreement. In May 2009, MSIP commenced proceedings in the English courts seeking payment of the monies and a declaration and final anti-suit injunction in relation to CH's proceedings in China. MSIP argued that CH was bound by the exclusive jurisdiction clause in clause 13 to bring proceedings against MSIP in the English courts. MSIP also argued that CH was similarly bound by the exclusive jurisdiction clause to bring proceedings against MSAL in the English courts even though MSAL was not a party to the Master Agreement.

The question for the court was whether, on its proper construction, clause 13 could be reasonably understood to mean that MSIP and CH had promised each other that claims arising out of or in connection with the Master Agreement would be brought in England regardless of whether the claims were against each other or a non-party to the Master Agreement.

Decision

The High Court granted an anti-suit injunction to restrain CH's claim against MSIP in China but refused to grant an anti-suit injunction to restrain CH's action in China against MSAL. It held that the exclusive jurisdiction clause applied only to claims between the parties to the Master Agreement (MSIP and CH) arising out or, or in connection with, that agreement.

The court said that the correct approach to the interpretation of exclusive jurisdiction clauses was that set out in the cases of *UBS v Nordbank AG* and *Fiona Trust*, which was to construe them widely and generously in the light of the transaction as a whole. The starting point was the assumption that the parties intended that any dispute

arising out of the agreement should be decided by the same tribunal. This presumption could be displaced by clear language in the agreement.

The High Court said that the words in clause 13 "*any suit, action or proceedings relating to any dispute arising out of or in connection with this Agreement*" did not stand alone and should be construed in the context of clause 13 as a whole. Most importantly, clause 13(b)(ii) dealt with third party rights. This clause specified that an Affilitate could enforce a right given to it in the Master Agreement, and in doing so would be subject to the exclusive jurisdiction provisions but the clause was silent about claims against an Affiliate of MSIP, such as MSAL. The court concluded from this that the parties had not intended that the exclusive jurisdiction provisions should apply to claims made against non-parties to the Master Agreement.

The court also said that there was considerable imbalance between a party and a non-party to the Master Agreement as regards jurisdiction issues. For example, if clause 13 did apply to claims against non-parties, the result would be that CH was obliged to sue MSAL in England but that MSAL could sue CH in any jurisdiction (unless it was seeking to enforce rights given under the Master Agreement). Also, if CH was obliged to sue MSAL in England there was no guarantee that the court would have jurisdiction as MSAL had never submitted to the jurisdiction of the English courts. These 'imbalances' suggested to the court that the parties had never intended that any claim against a non-party to the Master Agreement should be decided by the same court that heard disputes between the parties to it.

Comment

The consequence of this decision is that there are two sets of proceedings ongoing in two different jurisdictions: MSIP's claim against CH in the English courts for monies due under the Master Agreement and CH's claim against MSAL in China for damages. Although the High Court recognised that the interests of justice were usually best served by all issues being decided in one jurisdiction so as to avoid the risk of inconsistent decisions, it said that this case was one of those where the court could not ensure that that happened.

This is an unsatisfactory result but the court was bound by the exclusive jurisdiction clause. The best the court could do was to grant the anti-suit injunction in respect of MSIP so that all of the issues concerning MSIP could be resolved in one jurisdiction, in the English proceedings.

The real interest in this case is the decision that in the absence of clear wording to the contrary the exclusive jurisdiction clause did not extend to non–parties to the proceedings.

Further reading

Click here for a copy of the judgment

INTELLECTUAL PROPERTY

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ECJ rules on assessment of implied consent in trade mark exhaustion case

In the case of *Makro Zelfbedieningsgroothandel CV, Metro Cash & Carry BV, Remo Zaandam BV v Diesel SpA*, the European Court of Justice (ECJ) has confirmed that whether a trade mark owner has given implied consent for the purposes of Article 7(1) of the Trade Marks Directive (*89/104/EEC*) (the Directive) should be assessed in the way set out in *Zino Davidoff and Levi Strauss* regardless of whether the goods have first been put on the market in the EEA or outside the EEA.

Background

Article 7(1) of the Directive provides:

> "(1) *The trade mark shall not entitle the proprietor to prohibit its use in relation to goods which have been put on the market in the Community under that trade mark by the proprietor or with his consent.*
>
> (2) *Paragraph 1 shall not apply where there exist legitimate reasons for the proprietor to oppose the further commercialisation of the goods, especially where the condition of the goods is changed or impaired after they have been put on the market.*"

Article 7 sets out the essence of the doctrine of exhaustion of trade mark rights. This doctrine prevents a trade mark owner from asserting his trade mark rights to prevent the onward sale of goods under his trade mark where he has put those goods onto the market in the EEA or someone else has, but with his consent (for example, a licensee). The caveat to this is that the trade mark proprietor can use his trade mark to prevent the onward sale of these goods where there exist legitimate reasons for him to do so. Much of the case law on this area to date has focused on whether subsequent repackaging of the goods which is in some way detrimental to the trade mark amounts to a legitimate reason.

Article 7(1) is replicated in section 12 of the Trade Marks Act 1994.

In the joined cases of *Zino Davidoff and Levi Strauss* (Davidoff), the goods in issue had first been placed on the market outside the EEA and the question was whether the trade mark owner had subsequently consented to them being marketed within the EEA. The ECJ looked at the concept of consent. It said that the trade mark owner's consent to the placing on the market in the EEA of goods previously marketed outside the EEA may be given expressly or implicitly by "*being inferred from the facts and circumstances prior to, simultaneous with or subsequent to the placing of the goods on the market outside the EEA which …. unequivocally demonstrate that the proprietor has renounced his [trade mark] rights*". The ECJ said that the implied consent must be "*based on evidence capable of positively establishing that the trade mark proprietor has renounced any intention to enforce his exclusive rights..*".

Facts

Diesel was the proprietor of the word mark DIESEL. Diesel licensed Distributions Italian Fashion SA (Difsa) to distribute goods bearing the mark DIESEL in Spain, Portugal and Andorra. Difsa subsequently licensed Flexi Casual to manufacture and distribute goods, including shoes, under the mark DIESEL in those territories. Flexi

Casual licensed Cosmos World to do the same. Diesel was not asked to consent to this licence to Cosmos. Makro acquired shoes from Cosmos and began selling them in the Netherlands. Diesel brought proceedings alleging that Makro's sale of the shoes amounted to an infringement of its trade mark. The issue was whether Diesel's trade mark rights were exhausted as the shoes had previously been put on the market in the EEA. Diesel had not expressly consented to the marketing of the shoes in question by Cosmos, but had it given its consent implicitly.

The question referred to the ECJ by the Netherlands Supreme Court was, does the criteria set out in Davidoff for assessing whether the trade mark owner has given implied consent to marketing apply where the goods in question have only been put on the market in the EEA and never put on the market outside the EEA? Davidoff concerned goods which had previously been put on the market outside the EEA. Should the ruling in Davidoff be confined to those cases?

Decision

The ECJ held that Davidoff applied whether the goods had previously been put on the market outside the EEA or not. What was key to the issue of the doctrine of exhaustion was the putting of the goods on the market in the EEA. What, if anything, had happened to the goods outside the EEA was irrelevant. This was in accordance with the wording and objectives of the Directive.

Comment

Whilst this decision is unsurprising, it does clarify the scope of the ruling on the assessment of implied consent in Davidoff. It is clear that this case applies whether or not goods in issue have previously been marketed outside the EEA.

Further reading

Click here for a copy of the ECJ's ruling

ECJ rules on meaning of 'reputation in the Community' for CTM infringement

In *PAGO International GmbH v Tirolmilch registriete GmbH*, the ECJ has ruled on the meaning of 'reputation in the Community' in Article 9(1)(c) of the Community Trade Mark Regulation. Disagreeing with the Advocate General's earlier opinion, the ECJ held that a Community trade mark (CTM) would have a 'reputation in the Community' where it had a reputation in a substantial part of the Community. Substantial part could mean one member state only.

Background

Article 1(2) of the Community Trade Mark Regulation (*40/94*) provides:

> "*A Community trade mark shall have a unitary character. It shall have equal effect throughout the Community: it shall not be registered… or be the subject of a decision…declaring it invalid, nor shall its use be prohibited, save in respect of the whole Community*."

Article 9(1)(c) of the Regulation provides:

"A Community trade mark shall confer on the proprietor exclusive rights therein. The proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade:...

(c) a sign which is identical with or similar to the Community trade mark in relation to goods or services which are not similar to those for which the Community trade mark is registered where the latter has a reputation in the Community and where use of that sign without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the Community trade mark."

Facts

Pago, an Austrian company, was the proprietor of a CTM for fruit drinks and fruit juices. The CTM consisted of a green glass bottle with a distinctive label and cap next to a full glass of fruit drink. PAGO appeared on both the bottle and the glass.

Tirolmilch (Tirol) sold in Austria a fruit and whey drink called 'Lattella' in glass bottles which resembled (in shape, colour, label and cap) the bottle depicted in Pago's CTM. In its advertising, Tirol used a representation of a bottle next to a full glass, much like Pago's CTM. Pago brought proceedings in Austria for trade mark infringement seeking, in particular, an injunction to prohibit Tirol from marketing or selling its drink in its current bottle and from advertising using a representation of the bottle together with a full glass.

The parties agreed that the sign being used by Tirol was identical or similar to Pago's CTM and that Tirol's drink was not similar to Pago's. Pago's action, therefore, proceeded under Article 9(1)(c) of Regulation 40/94.

The question for the court was whether Pago's CTM had the necessary 'reputation in the Community' to be successful in an action under Article 9(1)(c). The Austrian court made a reference to the ECJ for guidance on the meaning of 'reputation in the Community'. In particular, it was clear that Pago's CTM was well known throughout Austria but nowhere else in the EU. Was a reputation in only one member state a sufficient 'reputation in the Community'?

Advocate General's opinion

The Advocate General advised the ECJ to rule that 'reputation in the Community' required a CTM proprietor to show that its CTM had a reputation in a substantial part (rather than the whole) of the EU, looking at the EU as a single and indivisible whole without frontiers between Member States. It was for the national court to decide in the circumstances of each case whether the reputation of the CTM in question did extend to a substantial part of the Community. In the Advocate General's opinion, it was not possible to establish whether a CTM had a reputation in the Community on the basis of whether that trade mark had a reputation in any one member state. It followed from the unitary character of the CTM that the Community territory as a whole should be considered. It was implicit in this that a CTM which had a reputation in only one member state did not have the required reputation in the Community for the purposes of Article 9(1)(c).

Decision of the ECJ

The ECJ has ruled that 'reputation in the Community' means that the CTM must be known by a significant part of the public concerned by the products or services covered by the CTM in a substantial part of the EC. On the facts of the case, one member state could constitute a substantial part of the EC. It was, therefore, enough for Pago to show that its CTM was known throughout Austria.

Separately, the ECJ clarified that Article 9(1)(c) could benefit a CTM with a reputation in respect of goods or services similar to those for which it was registered, as well as dissimilar goods or services. This was on the basis that the protection afforded to marks with a reputation cannot be less where the sign is used for identical goods or services than where it is used for dissimilar goods or services. This is in line with the position under Article 5(2) of

the Trade Marks Directive (which is worded identically to Article 9(1)(c)) after the decision of the ECJ in *Davidoff v Gofkid.*

Comment

The decision on the meaning of 'reputation in the Community' will be welcomed by brand owners with CTM's which trade in only one member state of the EU. Following this ruling, provided the CTM has a reputation throughout that member state, then it will have the required 'reputation in the Community' to found a trade mark infringement claim under Article 9(1)(c). So, a business in the UK with a CTM that only has a reputation in the UK, would be able to sue for infringement of it under Article 9(1)(c), provided the other conditions of that article are satisfied. This effectively extends the scope of protection offered to brand owners by CTM's.

It is not clear from the judgment what the position would be if the CTM had a reputation in only part of one member state of the EU.

Further reading

Click here for a copy of the judgment

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Court allows service using Twitter

In the January 2009 edition of this bulletin, we reported on proceedings in Australia in which the court had given permission for legal documents to be served via the social networking site, Facebook.

Recently, the English High Court gave permission for an injunction to be served via Twitter. In this case Donal Blaney, who ran a blog called 'Blaney's Blarney", was being impersonated on Twitter by someone using the username "@BlaneysBlarney" together with a photograph of Mr Blaney and a link to his blog. Mr Blaney obtained an injunction against the unknown defendant requiring him/her to cease posting, preserve the account and passwords and to identify himself to Mr Blaney's solicitors. There was no easy means of identifying the anonymous defendant and so the High Court agreed that the injunction could be served on him/her directly using Twitter.

This decision is interesting for two reasons. First, it demonstrates that the courts are willing to adapt traditional procedures to respond to new technologies. Second, this is a more convenient and cheaper way for claimants in a similar position to Mr Blaney to proceed. In cases to date, claimants have sought Norwich Pharmacal orders against the website and/or ISP to force them to disclose registration data relating to the anonymous defendant. This new approach is a quicker and cheaper route. Where the defendant does not comply with the order, a Norwich Pharmacal order against the website or ISP could still be used as a back up to obtain registration data allowing service by other means or, more usefully, to establish whether the defendant has in fact read the order and still failed to comply.

Applications for direct service of court orders via social networking mediums, such as Twitter and Facebook, are likely to become more common particularly in defamation, IP and confidentiality claims.

The case has not been reported.

DATA PROTECTION

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Custodial sentences for personal data misuse from April 2010

The government is proposing to introduce custodial sentences for the misuse of personal data in April 2010.

Section 55 of the Data Protection Act 1998 (DPA) makes the knowing or reckless obtaining or disclosure of personal data without the consent of the data controller a criminal offence. Under section 60 DPA, the current penalties for a breach of section 55 are a fine not exceeding £5000 on summary conviction and an unlimited fine on conviction on indictment.

Section 77 of the Criminal Justice and Immigration Act 2008 (CJIA) gives the Home Secretary the power, after consultation, to issue secondary legislation to increase the penalties for offences under section 55 DPA up to a maximum of 12 months imprisonment and a fine to the statutory maximum on summary conviction and two years imprisonment and an unlimited fine on conviction on indictment.

As required by section 77 CJIA, the Ministry of Justice has just launched a consultation on the introduction of custodial sentences for the misuse of personal data. The government is proposing to introduce legislation to increase the penalties for a section 55 offence to the maximum permitted by section 77 to act as a "ultimate deterrent" to those thinking of trading in personal data. The government anticipates that the custodial sentences will be available from April 2010.

The consultation closes on 7 January 2010.

Click here for a copy of the consultation document

Information Tribunal considers scope of 'commercial interests' FOIA exemption

In *Fred Keene v Central Office of Information*, the Information Tribunal has considered the commercial interests exemption in section 43(2) of the Freedom of Information Act 2000 (FOIA) and how it applies to tender information.

Background

Under section 1 FOIA, a person who has made a request for information to a public authority is entitled to be informed if the public authority holds that information, and if it does, to be provided with it.

Under section 2, a duty on a public authority to provide the information does not arise if the information is exempt under Part II FOIA. The exemption may be absolute or qualified. If qualified, the duty to disclose does not arise if, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Section 43 contains the commercial interests exemption. This is a qualified exemption. Section 43(2) provides:

(2) *Information is exempt information if its disclosure under this Act would, or would be likely to prejudice the commercial interests of any person (including the public authority holding it).*

Facts

Fred Keene was the owner of a reprographics business. In 2005, the Central Office of Information (COI) invited tenders from businesses interested in providing reprographics services. Mr Keene's business applied but was unsuccessful.

In January 2007, Mr Keene made a request for information under the FOIA to the COI regarding its selection of reprographics suppliers. The COI supplied some but not all of the information requested, relying on the commercial interests exemption in section 43(2) FOIA in relation to the information withheld.

The information withheld by COI comprised COI's evaluation forms of the businesses tendering and a summary of how these businesses had been scored by COI (the Disputed Information).

In October 2007, Mr Keene complained to the Information Commissioner about how COI had handled his information request. The Information Commissioner found that COI had acted in accordance with the FOIA in withholding the Disputed Information under section 43(2). Mr Keen appealed to the Information Tribunal.

Decision

The Information Tribunal found that disclosure of the Disputed Information would not be likely to prejudice the commercial interests of either the businesses that had tendered or COI and that COI must, therefore, disclose the Disputed Information.

The Tribunal considered the meaning of "likely to prejudice" in section 43(2). Following guidance in a number of previous decisions, the Tribunal found that "likely" meant "a degree of probability where there is a very significant and weighty chance of prejudice to the identified public interests". The chance of prejudice being suffered should be "more than a hypothetical or remote possibility". There must be "a real and significant risk". The Tribunal found that "prejudice" meant that "disclosure of the information must have a detrimental effect on or be damaging in some way to the commercial interests of the party in question".

Applying these tests and on the available evidence, the Tribunal found that disclosure of the Disputed Information would not be likely to prejudice the commercial interests of the businesses that had tendered. COI had argued that low scores or negative comments made by COI about any of the applicants would damage their commercial interests by adversely affecting their reputation and making it less likely that others would do business with them.

The Tribunal disagreed. The evaluation forms were not assessments of the applicant's performance or the quality of their work. They did not contain what might properly be regarded as commercially sensitive information, such as price information or financial data. COI had scored the applicants against criteria which were specific to COI. These criteria were unlikely to be the same as or similar to criteria used by other buyers of these services such that a low score would have the prejudicial effect COI claimed. At the date of Mr Keene's request, the information was already two years old and the information on which the applicants were assessed may well have changed. Any comments made on the evaluation forms were about entirely objective matters, (for example, one comment stated that an applicant would not be "able to handle COI's business" but this was based on this applicant's low turnover and staff numbers). Accordingly, these comments did not reflect any negative assessment or opinion.

The Tribunal also found that disclosure of the Disputed Information would not be likely to prejudice the commercial interests of COI. The COI's main argument was that disclosure of the Disputed Information would deter businesses from tendering to supply services to COI in the future and that any that did tender would provide less information than usual if there was a risk that the information would be disclosed. This would adversely affect

COI's ability to conduct a proper tender exercise and prejudice its ability to obtain value for money for the government departments it represented and, ultimately, for the public.

The Tribunal disagreed. COI had its own standard conditions and established procedures to be followed by those tendering for business. Any business wishing to be considered would need to follow these and that would include providing the information required by COI. COI had supplied no evidence that businesses would be deterred from tendering. Disclosure of the Disputed Information would not damage COI's reputation by implying that it could not be relied upon to maintain confidentiality as most businesses knew that public bodies were subject to the FOIA and may be required to disclose certain information submitted to it.

Section 43(2) did not apply and the Disputed Information must be disclosed.

Having found that section 43(2) did not apply, it was not necessary for the Tribunal to go on to consider the public interest test. Nevertheless, the Tribunal said that if it had gone on to consider this test, it would have found that, in all the circumstances of the case, the public interest in maintaining the exemption did not outweigh the "very strong public interest in promoting transparency and accountability in relation to the tendering and procurement decisions of COI and its expenditure of public funds".

Comment

This decision is useful in clarifying the tests that must be satisfied for the commercial interests exemption to apply and how to assess whether the exemption does actually apply on the facts of an individual case.

Further reading

Click here for a copy of the Information Tribunal's decision

For further information on any of the items covered in this bulletin please speak to your usual Hammonds contact or Gillian Dennis, Professional Support Lawyer, on +44 (0)161 830 5391 or gillian.dennis@hammonds.com