This month's edition includes a review of the High Court's decision that it has a duty to review the fairness of terms in consumer contracts even when not actually asked to do so, an update on the decision in *L'Oreal v eBay* on the liability of eBay for the sale of infringing goods on its website and a look at how the High Court reacted to a blogger's attempts to protect his anonymity.

**COMMERCIAL**

### Reasonable notice period in distribution agreement

In the case of *Jackson Distribution Limited v Tum Yeto Inc*, the High Court has considered the factors to be taken into account when deciding what would be a reasonable notice period for termination of a distribution agreement where the agreement is silent on this point.

**Facts**

The claimant (C) was a distribution company and the defendant (D) was the owner of the Dekline fashion brand. In September 2004, representatives of C and D met at a trade show and discussed the possibility of C becoming D's distributor. Discussions continued after the show. In March 2005, C sent D an email asking for confirmation that C was D's sole distributor. D responded by email saying that C was D's sole distributor in the UK and Ireland but that terms were to be agreed. Shortly afterwards, D sent C some sample products and subsequently sent a further email to C confirming that C was the sole distributor in the UK and Ireland. The parties also agreed payment terms by email. C then began to act as D's distributor.

C sent D a formal written agreement (the Jackson Draft) which was never signed. D subsequently sent C a different written agreement (the Tum Yeto Draft) but this was also never signed.

In July 2007, D purported to terminate the agreement ostensibly giving 6 months' written notice. However, D also argued that C had breached the agreement which entitled it to terminate with immediate effect. The matter came before the High Court.
The High Court held that the basis of the contract between the parties were the emails exchanged during March 2005 which dealt only with payment terms and not the Jackson Draft or the Tum Yeto Draft. The court found on the evidence that C had not breached the contract. The parties accepted that where there was no breach a party wishing to terminate the contract would have to give reasonable notice to the other. The question for the court was how to assess what that reasonable period would be.

The court said that what was a reasonable period should be assessed at the date of termination and not the date of the contract. Relevant factors to be taken into account were:

1. the degree of formality of the contractual relationship - the more relaxed the relationship the shorter the notice period;
2. whether the distributor was prohibited from selling products which competed with the supplier - such a restriction would suggest a longer notice period as it would take the distributor more time on termination to find an alternative supplier and build up a new business;
3. the length of the relationship and the extent of the early investment by the distributor - the longer the relationship and the higher the investment, the longer the notice period;
4. the percentage of the distributor's turnover made up of the supplier's products - the higher the percentage, the longer the notice period; and
5. any other factors relevant on the facts of the case.

In this case, the court found that there was no great degree of formality as neither the Jackson Draft nor the Tum Yeto Draft had been agreed or signed and the parties were operating on the basis of email correspondence. Although there was no express or implied restriction on C selling products that competed with D's, the court accepted that C would not have done so. The relationship had lasted for a relatively short time (2½ years) but the court was satisfied that C had invested significant time, effort and money in the early part of the relationship. By the date of termination, C's turnover from D's products had decreased and amounted to less than 50% of C's total turnover.

Taking all of these factors into account, the court found that a reasonable notice period was 9 months.

Comment

This case does not establish new law but is a useful reminder of the factors that a court will take into account in deciding what is a reasonable notice period. It also serves as a reminder that express termination provisions should always be agreed to avoid the uncertainty involved in reasonable notice requirements.

The judgment in this case is not publicly available.

Courts have a duty to consider the fairness of terms in consumer contracts

In a reference from the Hungarian courts in the case of Pannon GSM Zrt v Erzsebet Sustikne Gyorti, the ECJ has held that, where a national court has been asked to consider a term in a consumer contract, the court is under a duty to also consider whether that term is fair under the Unfair Terms Directive, even if the consumer has not actually challenged the fairness of the term.
Background

The Unfair Terms Directive (93/13/EEC) (the Directive) harmonises the rules across Europe protecting consumers from unfair terms in consumer contracts. Article 3 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 significant imbalance in the parties’ rights and obligations arising under the contract to the detriment of the consumer."

Fairness is assessed by reference to the nature of the goods or services concerned and all the circumstances at the time the contract was concluded. An unfair term is not binding on the consumer.

The Unfair Terms in Consumer Contracts Regulations 1999 implemented the Directive in the UK.

Facts

Gyorfi (G) entered into a mobile phone contract with Pannon (P). P's standard terms and conditions stated that the Budaors District Court (where P had its principal place of business) had jurisdiction over disputes arising under the contract. Budaors was 275 miles away from G's home and there was limited means of transport between the two. G also received an invalidity benefit.

A dispute arose between the parties. P began proceedings against G in the Budaors District Court and obtained an order against her. G challenged the order. Although G was simply challenging the order and not the jurisdiction clause in P's standard terms and conditions, the Hungarian court considered that it was under a duty to consider the fairness of the jurisdiction clause of its own motion. It made a reference to the ECJ for clarification on whether such a duty existed.

Decision

The ECJ held that where a term in a consumer contract is put in issue before a national court, the court is under a duty to automatically consider whether that term is fair under the Directive. If the court finds the term to be unfair then it will not be binding on the consumer. It is irrelevant that the consumer has not challenged the fairness of the term.

Although asked to do so, the ECJ failed to give clear guidance on how fairness should be assessed saying only that this was a matter for the national court concerned.

Comment

This decision makes it clear that the UK courts not only have the power to review the fairness of a term in a consumer contract when specifically asked to do so but that it has a duty to do this even when the fairness of the term has not been specifically challenged. Clauses found to be unfair following a review by a court of its own volition will not be binding on the consumer.

Following this judgment, businesses should review their standard terms and conditions to ensure that they are drafted so as to comply with the requirements of the UK Regulations.

Further reading
UK implementation of the Services Directive

The Department for Business, Innovation and Skills (formerly BERR) has published the draft Services Regulations which implement the EU Services Directive (2006/123/EU) in the UK.

The primary objective of the Directive is to make it easier for businesses to provide services cross border within the EU. Most of the obligations in the Regulations, therefore, fall on UK regulatory bodies requiring the removal or simplification of existing red tape. However, the Regulations also impose some new obligations on businesses supplying services in the UK. The main obligation is to supply pre-contractual information to customers. This includes the supplier's terms and conditions, details of the supplier's identity, address and legal status and the means of making a complaint about the service received. The Regulations apply to most service sectors with some notable exclusions, including the financial services, healthcare and transport sectors. The Regulations are currently unclear on the sanctions for failure to comply with them but this is likely to be clarified in further drafts.

The UK has until 27 December 2009 to implement the Directive.

As the Regulations are currently in draft form there is no need for businesses to take any action now. However it is unlikely that they will be significantly amended before implementation and so businesses will have to address how they will comply with the requirements of the Regulations later in the year.

Protecting trade secrets: consultant analogous to employee

In the case of Vestergaard Frandsen A/F v BestNet Europe Limited, the High Court has held that for the purposes of the law of confidence a consultant is analogous to an employee.

Facts

Dr Skovmand was a consultant engaged by Vestergaard to work with them on the development of an innovative mosquito net, which was impregnated with a unique formulation of insecticide (the PermaNet). There was no written consultancy agreement between Skovmand and Vestergaard. Skovmand subsequently worked for BestNet, a company formed by two ex-Vestergaard employees, and helped them to develop a competing net (Netprotect). Vestergaard sued BestNet for breach of confidence. It alleged that the information in its database about PermaNet, including test results and chemical formulas, amounted to its trade secrets which Skovmand had passed on to BestNet and which BestNet in conjunction with Skovmand had used in the production of its Netprotect product.

Decision

The High Court held that Skovmand owed Vestergaard a duty of confidence. Arnold J found that as it was clearly understood by the parties that Skovmand's inventions would be owned by Vestergaard, the parties could not have intended that Skovmand would be able to exploit the information created in the course of his work with Vestergaard for his own benefit, either during or after termination of his consultancy, or license third parties to do so. In the circumstances, Arnold J found that it was an express term of Skovmand's oral contract with Vestergaard that he would keep information arising out of his work for them confidential. In the alternative, this was an implied term of Skovmand's contract. It was necessary and obvious to imply such a term for a number of reasons including:

(1) Skovmand was employed to invent;

(2) Skovmand was subject to Vestergaard's direction and his status was akin to that of a senior employee;
much of the development work was in fact carried out by Vestergaard’s employees;

much of the information in the database was advice paid for by Vestergaard;

an exclusive licence to Vestergaard would not suffice in this case as Vestergaard needed to be in a position both to exploit the information without restriction and to enforce their rights against others.

Arnold J went on to say that had there been no contract between Skovmand and Vestergaard he would have held that Skovmand was under an equitable obligation to keep the information confidential. Arnold J said that Skovmand's position was akin to that of an employee. His obligation of confidence only applied to Vestergaard's trade secrets. It did not prevent Skovmand from using his own skill, knowledge and experience gained whilst working for Vestergaard for his own benefit or that of someone else. To determine whether information amounts to a trade secret, the following factors should be considered:

1. The nature of the work - on the facts, inventions might reasonably be expected to result from Skovmand's work with Vestergaard and he had assigned his rights in them to Vestergaard;

2. The nature of the information - on the facts, experimental results and deductions drawn from them should be protected as trade secrets in the same way that formulas and manufacturing processes are;

3. The attitude of the employer - on the facts, there was evidence to show that Vestergaard regarded and treated the information in the database as confidential;

4. The steps taken to protect the information - on the facts, there was substantial evidence that Vestergaard had taken steps to keep the information in the database confidential, including entering into confidentiality agreements with third parties;

5. The separability of the information - on the facts, the information in the database could be distinguished from Skovmand's general store of knowledge and skill;

6. The commercial value of the information - on the facts, it was clear from the evidence that Vestergaard clearly considered the information to have commercial value;

7. The usage and practices of the trade - on the facts, the available evidence suggested that the industry generally would treat information such as that on the database as being trade secrets.

In light of the above, Arnold J found that the information in the database did amount to Vestergaard's trade secrets.

Arnold J concluded that Skovmand had breached his duty of confidence to Vestergaard by disclosing its trade secrets to BestNet, which BestNet (in conjunction with Skovmand) had used to develop Netprotect. Early in the proceedings it had been accepted by the parties that if Skovmand had committed an actionable breach of confidence then BestNet would also be liable.

Comment

The case is not yet concluded. Arnold J did not make an order for an injunction or any remedies in this case to enable the parties to put forward fresh arguments in light of his conclusion that there had been a misuse of Vestergaard's confidential information.

Nevertheless, this case is of interest for two reasons. Firstly, because Arnold J sets out in some detail the factors to be taken into account in assessing whether information amounts to a trade secret. Secondly, because he
appears to accept that a consultant would be treated in the same way as an employee when it comes to applying the principles set out in *Faccenda Chicken v Fowler*.

Businesses working with consultants will welcome this decision. However the judgment still leaves some uncertainty about how the law in this area should be applied as Arnold J did comment that he was not sure that all consultants should be treated in this way but then declined to comment further.

**Further reading**

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### Government publishes Digital Britain report

The Department for Business, Innovation and Skills (formerly BERR) and the Department for Culture, Media and Sport have published the Digital Britain final report. The report covers a number of media, telecoms and content related issues and in relation to the latter focuses on the government's plans to tackle copyright infringement online. The government has proposed a two stage approach to infringements initially requiring ISPs to inform users that their copyright infringement has been noted with proposals to implement technical measures such as site blocking if the infringement continues. The government believes that these measures can reduce unlawful file sharing by 70-80%.

[Click here for a copy of the Digital Britain report](#)

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### INTELLECTUAL PROPERTY

#### eBay not jointly liable with its users for trade mark infringement

In the case of *L'Oreal v eBay & Others*, Arnold J in the High Court has held that eBay is not jointly liable with individual sellers for the sale of infringing products on its auction site.

**Facts**

L'Oreal is the proprietor of a number of UK and Community trade marks for various well known brands including L'OREAL, MAYBELLINE, KERASTASE and GARNIER registered in respect of cosmetic products (the L'Oreal Marks). Seven individuals sold cosmetic products under the L'Oreal Marks on eBay.co.uk. L'Oreal issued proceedings against the seven individuals alleging trade mark infringement under Article 5(1)(a) of the Trade Marks Directive (which prohibits a third party from using without the consent of the trade mark proprietor a sign identical to the trade mark for identical goods or services). L'Oreal also issued proceedings against eBay claiming that it was jointly liable for these infringements. L'Oreal further claimed that eBay itself was liable for trade mark infringement under Article 5(1)(a) for using the L'Oreal Marks in search engine sponsored links to direct users to listings for infringing goods on eBay.co.uk as well as on the site itself.

**Decision**

1. Trade mark infringement by the seven individual sellers
Although it seemed clear that these individuals were using an identical sign for identical goods (and so fell foul of Article 5(1)(a)) the issue was more complicated as the High Court had to consider the question of exhaustion of trade mark rights. This doctrine, found in Article 7 of the Trade Marks Directive, states that a trade mark owner cannot use his trade mark rights to prohibit the further sale of goods which have already been put on the market in the EEA by the trade mark proprietor or with his consent (for example, by a licensee). There is an exception to this rule where there exists “legitimate reasons for the trade mark proprietor to oppose further commercialisation of the goods”.

The question for the court was whether L’Oreal had put the goods being sold by the seven individuals on the market in the EEA. Some of the goods were shown to be counterfeit and others to have originated from the USA and the court was satisfied that L’Oreal’s trade mark rights were not exhausted in relation to these products.

The issue was more difficult in relation to various ‘tester’ products and products which had been unboxed. In relation to the tester products, L’Oreal argued that these had never been put on the market. They were not for sale but only to be used on counters in shops to promote L’Oreal's products. eBay argued that use of these testers to promote L’Oreal's products was akin to them having been put on the market as L’Oreal had realised the economic value of the products. Arnold J said that the meaning of ‘put on the market in the EEA’ in Article 7 of the Trade Marks Directive was unclear and made a reference to the ECJ seeking a ruling on this.

It was accepted by both sides that sale of the unboxed products fell foul of the UK’s Cosmetic Safety Regulations, which amounted to a criminal offence. L’Oreal argued that this was in itself a legitimate reason for it to oppose further sale of the goods. This was a novel argument as previous case law on this point had focused on there being potential for damage to the trade marks’ reputation. There was no suggestion by L’Oreal that the sale of the unboxed products would damage its trade marks. Arnold J made a reference to the ECJ for clarification on whether a breach of the law per se without any specific detriment to the trade marks could amount to a legitimate reason for a trade mark proprietor to oppose further commercialisation of goods such that his trade mark rights were not exhausted.

The outcome was that the individual defendants were liable for trade mark infringement in respect of the counterfeit and US products but the position in relation to the testers and unboxed products could not be decided until the ECJ clarifies the meaning of ‘putting on the market in the EEA’ and ‘legitimate reason to oppose further commercialisation of the goods’.

2. Joint liability of eBay

Arnold J applied the law of joint tortfeasorship established in the case of CBS v Amstrad and found that eBay was not jointly liable for the trade mark infringement by the individuals. The law was clear. eBay would only be liable if there had been some common design between it and the individuals or some procurement, inducement or concerted action to commit trade mark infringement on the part of eBay. Mere facilitation, assistance or knowledge that trade mark infringement was taking place was not enough.

Arnold J did comment that he wanted to find eBay jointly liable but that the law was against him. He also commented that he thought eBay should do more to prevent the sale of infringing goods on its site.

3. Primary liability of eBay for trade mark infringement

In relation to eBay’s primary liability for use of the L’Oreal Marks in sponsored links and on its website, Arnold J made a reference to the ECJ on the meaning of ‘use’ in Article 5(1)(a) of the Trade Marks Directive. Was inclusion of the L’Oreal Marks in sponsored links and on the website sufficient to amount to ‘use’ for trade mark purposes? Arnold J was also reluctant to make a finding on this issue as the question
of whether use of another's trade mark in sponsored links amounts to trade mark infringement is already being considered by the ECJ following references from the French, German and Austrian courts.

4. Did eBay have a defence to trade mark infringement under Article 14 of the E-Commerce Directive?

Article 14 of the E-Commerce Directive provides a defence to a service provider where information is merely hosted at the request of a recipient of the service (i.e., the individual sellers here), provided that (i) the provider does not have actual knowledge of an infringement, or acts expeditiously to remove access to the infringing material once it gains such knowledge and (ii) the recipient of the service is not acting under the authority or control of the provider.

eBay argued (i) that Article 14 was wide enough to cover any information that it hosted; (ii) that L'Oreal's refusal to participate in its VeRO programme (which allows rights holders to report IP infringements to eBay) meant that eBay could not have actual knowledge of infringement; and (iii) if L'Oreal's contentions were upheld, it would be tantamount to imposing on eBay a general obligation to monitor its users' activities. L'Oreal argued that the Article 14 defence was limited to "activities of a mere technical, automatic and passive nature" where "the provider has neither knowledge of nor control over the information … stored". It argued that eBay's activities went far beyond mere passive storage of information, because it organised and participated in the offering for sale of the infringing goods, and its use of the marks in sponsored links also went well beyond hosting. L'Oreal also argued that eBay had the power to control its users through filtering and removing listings and that eBay was well aware of the infringement, as L'Oreal had written to it.

Arnold J noted that recent decisions in the courts of other Member States had produced divergent interpretations of Article 14 and so made a reference to the ECJ on the scope of the Article 14 defence.

Arnold J also referred to the ECJ a question on the interpretation and scope of Article 11 of the IP Enforcement Directive (which states that "Member States shall also ensure that rights holders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right").

In what circumstances were the English courts required to grant an injunction against intermediaries?

Comment

This decision will be welcomed by online service providers concerned about liability for infringing activities taking place on their site. It is likely to deter brand owners from bringing proceedings against online service providers although they will take some comfort from the Judge's comments that eBay should do more to prevent the sale of infringing goods on its site. How the ECJ responds to the various questions referred to it will also be watched with interest, particularly the question of the scope of the Article 14 defence.

Further reading

ECJ ruling in 'smell-alike' case

The ECJ has delivered its judgment in the L'Oreal v Bellure trade mark infringement / comparative advertising case.

Background

Article 5(1) of the Trade Marks Directive (TMD) states:
“The proprietor [of a registered trade mark] shall be entitled to prevent all third parties not having his consent from using in a course of trade:

(a) any sign which is identical with the trade mark in relation to goods or services which are identical with those for which the trade mark is registered;

(b) any sign where, because of its identity with, or similarity to the trade mark and the identity or similarity of the goods or services covered by the trade mark and the sign, there exists a likelihood of confusion on the part of the public which includes the likelihood of association between the sign and the trade mark.”

Article 5(2) of the TMD states:

“… the proprietor shall be entitled to prevent all third parties not having his consent from using in the course of trade any sign which is identical with, or similar to, the trade mark in relation to goods or services which are not similar to those for which the trade mark is registered, where the latter has a reputation in the Member State 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 trade mark.”

Article 3a(1) of the consolidated Comparative Advertising Directive (CAD) states that comparative advertising is permitted provided an advert complies with the conditions set out in Article 3a(1), which include:

“(g) it does not take unfair advantage of the reputation of a trade mark …

(h) it does not present goods or services as imitations or replicas of goods or services bearing a protected trade mark …”

Facts

L’Oreal is the well-known producer and distributor of fine fragrances and the proprietor of various registered trade marks. These include the word marks TRESOR, MIRACLE, ANAIS-ANAIS and NOA, word and device marks for representations of a perfume bottle and packaging bearing the mark TRESOR and word and device marks for representations of a perfume bottle and packaging bearing the mark MIRACLE.

Bellure and others produced and distributed perfume that imitated the fragrances of L’Oreal’s perfumes. Bellure had supplied retailers with comparison lists which indicated the word mark of the L’Oreal fragrance of which the Bellure perfume was an imitation. In addition, the Bellure perfumes were supplied in packaging that was generally similar in appearance to the packaging of the L’Oreal perfumes. L’Oreal sued for trade mark infringement. The UK Court of Appeal found that the comparison list was a comparative advert and referred various questions on the interpretation of the TMD and CAD to the ECJ. The ECJ has now given answers to those questions. The essential aspects of that ruling are set out below.

Decision

Question:

What will amount to "taking unfair advantage of the distinctive character or repute of a trade mark" in Article 5(2) TMD? Is it necessary that the use by a third party of its sign creates a likelihood of confusion with the trade mark or is otherwise detrimental to the distinctive character or repute of the trade mark or its owner?

Answer:

The ECJ held that the essence of "unfair advantage" is that by using its sign the third party is seeking to "ride on the coat-tails" of a trade mark with a reputation in order to benefit from the power of attraction, reputation and
prestige of that mark and to exploit, without paying any financial compensation, the marketing effort expended by the owner of the trade mark in order to create and maintain the trade mark's image. A likelihood of confusion between the sign and the trade mark is not required. Detriment to the distinctive character or repute of the trade mark or its owner is not required either.

**Question:**
If a third party uses in a comparative advert another's registered trade mark, can its owner rely on Article 5(1)(a) TMD to prevent his trade mark from being used in the advert even where the third party's use of it does not jeopardise its function as an indicator of origin, damage its reputation, cause confusion or affect the sales of the trade mark owner's products?

**Answer:**
The ECJ said that a trade mark owner could rely on Article 5(1)(a) TMD to prevent his trade mark being used in a comparative advert even if the trade mark's essential function as an indicator of origin was not affected by its use in the advert provided:

(i) the use in the advert affects one or more of the other non-origin functions of the trade mark including its function as a guarantee of the quality of the goods or services or the functions of communication, investment or advertising; and

(ii) the advert does not comply with the conditions in Article 3a(1) CAD.

**Question:**
What is the meaning of "present[ing] goods or services as imitations or replicas" in Article 3a(1)(h) CAD?

**Answer:**
The ECJ said that an advertiser who states explicitly or by implication in a comparative advert that the product marketed by him is an imitation of a product bearing a well-known trade mark "presents goods or services as imitations or replicas" within Article 3a(1)(h).

**Question:**
What is the meaning of "takes unfair advantage of" in Article 3a(1)(g) CAD?

**Answer:**
The ECJ linked the answer to this question with its answer to the question above and held that any advantage gained by a party presenting his goods or services as imitations or replicas of a trade marked product would be an unfair advantage within Article 3a(1)(g).

**Comment**
The ECJ's judgment is detailed and technical and unclear in parts. What brand owners need to know is that the ECJ has given them wide powers under trade mark law to prevent third parties from using a sign identical or similar to their trade mark with the intention of "riding on the coat-tails" of their mark's reputation and prestige. There is no need to show that the public will be confused or any damage will result to the trade mark. This aspect of the judgment is likely to be welcomed by brand owners and could have significant implications for the producers of own brand products.

The judgment has clarified that brand owners may use trade mark law to prevent their trade mark being used in a comparative advert provided they can show that one or more of the functions of the trade mark, such as its function as a guarantee of origin or quality or its function of communication, investment or advertising, would be damaged as a result of its use in the advert. This may be difficult to do although much will depend on the nature of the advert in question.
**UK reference to ECJ on keywords issue**

In the case of *Interflora v Marks & Spencer*, Arnold J has made a reference to the ECJ for a ruling on whether registration / use of a third party’s trade mark as a search engine keyword amounts to trade mark infringement.

Interflora had issued trade mark infringement proceedings against Marks & Spencer in respect of M&S’ registration / use of the INTERFLORA trade mark as a Google Adword. Arnold J stayed the proceedings in light of the fact that this issue is already before the ECJ following references from the French, German and Austrian courts. He decided to also refer these questions to the ECJ on behalf of the UK although the exact scope of the questions has yet to be decided. Arnold J declined to order M&S to cease using INTERFLORA as a keyword pending the outcome of the reference arguing that this would be tantamount to granting an interim injunction, a remedy which Interflora had never previously sought.

[Click here for a copy of the judgment](#)

**Facebook : individual URLs and the implications for brand owners**

Since Saturday 13 June, Facebook users have been able to register individual URLs for their profile pages. Users can insert any name they like after the Facebook domain ([www.facebook.com/insertchosenusernamehere](http://www.facebook.com/insertchosenusernamehere)). This is a concern for brand owners as there is the obvious possibility that users may select trade marks as their chosen username.

Hammonds has produced some comprehensive guidance on what action brand owners should take to protect their trade mark rights.

[The guidance is available by clicking here](#)

**ECJ ruling on ‘bad faith’ in CTM Regulation**

In the case of *Chocoladefabriken Lindt v Franz Hauswirth* the ECJ has ruled on the meaning of bad faith in Article 51(1)(b) of the Community Trade Mark Regulation.

**Background**

Article 51(1)(b) provides that a Community Trade Mark (CTM) shall be declared invalid on application to OHIM or on the basis of a counterclaim in infringement proceedings where the applicant was acting in bad faith when he filed the application for the trade mark.

**Facts**

Lindt had, since the 1950s, produced a chocolate bunny product. It began marketing the product in Austria in 1994 and in 2000 obtained a CTM of a 3-dimensional gold bunny in a sitting position wearing a red ribbon and a bell and bearing the words LINDT GOLDHASE registered for chocolate products.

Hauswirth had marketed a similar chocolate bunny in Austria since 1962 and Lindt brought trade mark infringement proceedings. The Austrian court found that there was a likelihood of confusion between Lindt's and
Hauswirth's product. Hauswirth counterclaimed for invalidity of Lindt's mark arguing that, when it applied for the mark, Lindt's intention was to prohibit competitors with existing 'valuable rights' from continuing to market their products and so was acting in bad faith. The court made a reference to the ECJ on what was required to establish bad faith within Article 51(1)(b).

**Decision**

The ECJ held that the relevant time for assessing whether there was bad faith on the part of an applicant for a CTM was at the time when the application was filed. To assess whether there was bad faith, the court must make an 'overall assessment' taking into account all factors relevant to the particular case. The court went on to say:

- The fact that the applicant knows or must know that a third party has long been using an identical or similar sign for identical or similar goods capable of being confused with the sign for which registration is sought is not sufficient in itself to amount to bad faith, although it may be bad faith if the applicant also intends to prevent a third party from marketing a product;

- It will be bad faith where the applicant does not intend to use the trade mark it has applied to register but intends only to use it to prevent a third party from entering the market in question, unless this is in pursuit of a legitimate objective such as where that third party is trying to take advantage of the mark by copying its presentation;

- The nature of the mark applied for is also relevant to assessing bad faith. Bad faith might be more readily established where the competitor's freedom to choose an alternative shape and presentation is restricted by technical or commercial factors;

- The extent of the sign's reputation at the time when the CTM is applied for is also relevant to assessing bad faith. The extent of that reputation may justify the applicant's interest in ensuring wide legal protection for his sign.

**Comment**

This is the first reference to the ECJ concerning the meaning of bad faith in the CTM Regulations. The ECJ largely followed the earlier opinion of the Advocate General although did not follow the Advocate General's opinion that third parties' use of similar signs after the CTM application date might affect the outcome of a decision on bad faith.

The test put forward by the ECJ is a broad and flexible one, which enables national courts to consider each case on its own facts. Although this flexibility is to be welcomed, it can lead to considerable uncertainty for trade mark applicants.

**Further reading**

**'European patent system' - a step closer**

Long awaited reforms to the EU's currently fragmented patent system has moved a step closer. EU industry ministers have referred questions to the ECJ on the legality on introducing a 'Community Patent' and specialist court to handle patent disputes. The ECJ's opinion is expected within 6 months and EU industry ministers will discuss this issue again in December.

Even if the ECJ gives the go ahead, there remain a number of sticking points to reform, including translation issues and the location of any centralised patent court.
Employee ordered to hand over LinkedIn contacts

In the case of *Hays Specialist Recruitment v Ions*, the High Court has ordered a former employee of recruitment firm Hays to hand over business contacts built up on his personal page of social networking site LinkedIn.

**Background**

LinkedIn is similar in concept to other social networking sites such as Facebook but is designed solely for the purpose of professional networking. A person joining LinkedIn registers and creates a profile page. Once registered, the member can use the site in a variety of ways for establishing contacts. One way is to upload the email addresses of existing or prospective contacts and LinkedIn will invite them by email to join the member's network. If the contact accepts the invitation he or she becomes a "connection" whose contact details will be available to the other connections in the member's network.

**Facts**


Hays subsequently made an application for disclosure of documents from Ions. The application was made under Part 31 of the Civil Procedure Rules, which gives the court discretion to order one party to disclose documents to another even though no proceedings have yet been commenced. The objective is to enable the parties to identify issues in dispute, to facilitate settlement without proceedings and to save costs. Hays’ allegation was that, during May 2007, Ions had taken various email addresses from Hays' client database and uploaded them to LinkedIn. This was a way of storing this contact information, which he intended to use subsequently in his competing business, and was in breach of clause 18 of his contract of employment, which said:

"you must not, during the course of your employment or at any time thereafter, make use of … any trade secrets … or information … of a confidential nature concerning the … client database … of the Company … unless it is necessary for the proper performance of your duties …"

Ions acknowledged that he had uploaded the email addresses to LinkedIn but argued that Hays had encouraged him to use LinkedIn whilst employed by them and that the email addresses ceased to be confidential information once uploaded.

**Decision**

The High Court held that the conditions of Part 31 were satisfied and ordered Ions to hand over to Hays documents evidencing the contacts uploaded to LinkedIn by Ions and the use that EHR had made of them.

**Comment**

It remains to be seen whether Hays will issue proceedings against Ions in respect of his activities on LinkedIn. Possible claims would include breach of contract, infringement of database rights and misuse of confidential information. In the meantime, this decision will be of interest to businesses keen to protect their trade secrets and manage their employees’ online activities. It is one of the first cases in which the courts have ordered disclosure of
information held on a social networking site. It is also one of the first to highlight the tension between businesses encouraging employees to use social networking sites for work purposes and then claiming that the contacts remain confidential at the end of their employment.

Further reading

**High court refuses to protect privacy of anonymous blogger**

In *The Author of a Blog v Times Newspapers Limited*, the High Court has refused to grant an interim injunction to restrain The Times from revealing the identity of the author of a blog.

**Facts**

The claimant was the author of a blog known as 'Night Jack' in which he expressed his opinions on controversial, social and political issues relating to the police and the administration of justice. After some investigation The Times discovered that the claimant was himself a serving police officer working for the Lancashire Constabulary and wanted to reveal the claimant's true identity. The claimant applied for an interim injunction to restrain The Times from doing so. He claimed that this would amount to a breach of confidence and/or infringe his right to privacy under Article 8 ECHR.

**Decision**

The High Court refused to grant the interim injunction. There was no breach of confidence as The Times had obtained the information about the claimant's identity as a result of its own detective work (investigations carried out by one of its journalists).

The court applied the two stage test to determine whether the claimant's right to privacy under Article 8 would be infringed by the publication of his identity. At the first stage, the court found that the claimant did not have a reasonable expectation of privacy. It said that blogging was essentially a public rather than a private activity and, unlike in other privacy cases, the information that The Times wanted to disclose was not of a strictly personal nature such as that concerning financial affairs, sexual relationships or physical or mental health. The claimant's position was not analogous to a journalist who writes under a pseudonym for the purpose of functioning more effectively in undercover work.

Although there was strictly no need to do so, the court chose to address the second stage of the two stage test: whether there was some countervailing public interest which would justify overriding the claimant's right to privacy. The court found that, even if the claimant had been successful at the first stage, he would have been unsuccessful at the second. It said that the public had an interest in knowing who had written the blog in order that they could assess for themselves how valid the claimant's opinions were and what weight should be attached to them. In writing the blog the claimant fell foul of the Police (Conduct) Regulations which require police officers to maintain confidentiality about investigations they have worked on and to avoid acting in a manner that discredits the police force both on and off duty. The court found that it was in the public interest that The Times disclose that a police officer had such views on the police force and the administration of justice and was failing to comply with his obligations under the Regulations. Disclosure of his identity would not inhibit his ability to impart his ideas to the public. The claimant was likely to be subject to disciplinary action once his identity was revealed but it was not part of the court's function to protect police officers who may be acting in breach of the Regulations from coming to the attention of their superiors.
Comment

This case is interesting as it shows how the courts are likely to apply the relatively newly developed law of privacy and, in particular, how they will assess whether a claimant has a reasonable expectation of privacy.

Further reading

DATA PROTECTION

British Standard on data protection

The first British Standard on data protection has been launched. *BS10012 Data Protection Specification for a Personal Information Management System* is aimed at businesses of all sizes in both the public and private sectors to help them develop best practice and aid compliance with data protection legislation. The Standard is not prescriptive but provides a framework for the effective management of personal information. It includes guidance on matters such as training, risk assessment, data sharing and retention, disposal and disclosure of data.

[Click here to see the British Standard press release](#)

ICO publishes privacy protection handbook

The Information Commissioner’s Office (ICO) has published a revised handbook on privacy impact assessments. The ICO wants all businesses to assess how planned projects or the introduction of new technologies will impact on how they handle personal data. The handbook contains information on the nature of privacy impact assessment generally and gives practical advice on how to carry one out.

In its press release announcing the launch of the new handbook, the ICO urges all businesses to incorporate data protection safeguards into any new project involving personal information.

[Click here for a copy of the privacy impact assessment handbook](#)

Code of practice on privacy notices

The Information Commissioner’s Office (ICO) has published a new code of practice on privacy notices. The code is intended to help organisations provide more user friendly privacy notices. It provides advice about drafting them and includes examples of privacy notices which reflect good and bad practice.

[Click here for a copy of the Code of Practice](#)

If you require further information or advice on any of the items covered, please contact your usual Hammonds contact
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