



CONCEPT

Welcome

Welcome to the autumn 2010 edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

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What a difference a day makes: new change to opposition practice

In its Tribunal Practice Notice of 30 September 2010 (TPN 4/2010), the UKIPO announced an immediate change in how the deadline to file an opposition against a UK trade mark application (2 months from publication of the application) is calculated. The change means that for parties considering an opposition against marks that have already been published, for all practical purposes a day has been lost.

Previously, it had been thought that, for example, if a mark was advertised for opposition purposes on 12 October, the last day on which opposition papers could be filed (or a one-month extension requested) was 12 December.

However, following a third-party query, the UKIPO has reviewed the method of calculating this time period and decided that it is wrong.

The decision was based on rules of statutory interpretation

in the Interpretation Act 1978, which states that when a term is prescribed as a calendar month "*the period expires with the day in the succeeding month immediately preceding the day corresponding to the date upon which the period starts*". In accordance with this guidance, the deadline in the example above would now be **11 December**.

Other deadlines in UK opposition proceedings, for filing counter-statements and for entering or extending the cooling-off period, will still be calculated using the previous method.

The Registrar does not intend to apply this practice retrospectively, so existing oppositions which were filed "late" (ie on the last possible day) will not be affected. However, applicants will now need to be especially careful in calculating deadlines, particularly as OHIM practice is to use the previous method, and should try to ensure decisions on whether to oppose are reached at an early stage.

All change at the Patents County Court

Major changes to the Patents County Court (PCC) took place this month with Colin Birss QC taking over from His Honour Judge Fysh QC on 5 October 2010 as the new PCC judge and new rules on costs and procedure which came into effect on 1 October 2010.

The most important changes are as follows:

- Costs are now capped in the PCC with a successful party being able to recover a maximum of £50,000 on the final determination of the claim in relation to liability and £25,000 on an inquiry as to damages or account of profits.
- There is a scale of costs for the main procedural stages of the claim, for example the maximum recoverable costs for disclosure is £5,000 (for a liability claim).
- There is more emphasis on written submissions, with a revised Practice Direction stating that trials should last no longer than 2 days and that the Court, where possible, will determine the claim solely on the basis of the parties' statements of case and oral submissions. More time has therefore been allocated to prepare statements of case.

- There will be no automatic standard disclosure but rather the Court will take a more active role at the first case management conference (CMC) by identifying the issues early. At the first CMC, the Court may order specific disclosure, a product or process description, experiments, witness statements, experts' reports, cross examination at trial, written submissions or skeleton arguments. However, the Court will only make such orders in relation to specific and identified issues and if the Court is satisfied that the benefit of the further material is likely to justify the cost.

Generally, the new rules make the process in the PCC more streamlined and (in theory) easier to use which should be attractive for small and medium-sized companies. In particular, certainty as to cost exposure is likely to mean that the reforms are generally welcomed, although it is also likely to mean that successful litigants will recover a much smaller proportion of their costs. Whether this pushes more potential users of the PCC towards the High Court remains to be seen and much will depend on how Judge Birss implements the rules in the next few months.

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Asda lives dangerously and infringes Specsavers' trade mark

"Crucially, there was evidence that it had been Asda's intention to market as closely to Specsavers as possible..."

Specsavers has succeeded in part with a High Court claim for trade mark infringement against Asda in the latest case to consider whether use of a mark takes unfair advantage of an earlier trade mark with a reputation (Article 9(1)(c) of the Community Trade Mark Regulation).

Asda ran a marketing campaign for its in-store opticians using a logo comprising two ovals with the words ASDA OPTICIANS, and posters bearing the straplines: *"Be a real spec saver at Asda"* and *"Spec savings at Asda"*. Specsavers sued for passing off and trade mark infringement, relying on Community Trade Marks for the word mark SPECSAVERS and its logos.

The Court held that Asda's strapline *"Be a real spec saver at Asda"* took unfair advantage of the reputation of the Specsavers marks. The strapline gave Asda an advantage by calling to mind the Specsavers brand and its reputation for value. It was irrelevant for these purposes that Asda had its own reputation for value.

Crucially, there was evidence that it had been Asda's intention to market as closely to Specsavers as possible, and that Asda had sought legal advice to assist with designing the logo and straplines away from the Specsavers marks just enough to avoid infringement. In

the Court's view, Asda had been "living dangerously", and Asda's intention to do so was sufficient to find that the advantage taken of Specsavers' marks was unfair.

However, Specsavers' other claims for trade mark infringement and passing off, made in relation to Asda's second strapline and its logo, failed. Despite some similarity between the respective marks, a reasonably circumspect customer would not think that the Asda logo was Specsavers' merely because both used two ovals. Also, the Asda logo was primarily used within Asda stores, minimising the risk of association with Specsavers.



Copyright in software: what does it protect?

In *SAS Institute Inc v World Programming Ltd (WPL)* the High Court had to decide to what extent copyright protects software functionality, interfaces and programming languages from being copied.

WPL had developed a competitor product to SAS's analytical software, which emulated the functionality of SAS and was capable of executing applications written in the SAS Language. SAS sued for copyright infringement.

On the assumption that previous relevant English case-law had been correctly decided, the preliminary view of the High Court was that copying the functionality of the SAS software alone without also copying source code was not copyright infringement, and that WPL had been entitled to study the functionality of SAS to determine the principles of the software and to use those principles to develop their system. The Court was also of the view that copyright did not protect the SAS Language and interfaces from being copied, and that it was not an infringement of copyright in the SAS manual to use the manual as a specification of the functions that were to be replicated. The Court also held that WPL was entitled to test its product using scripts that were copied from the SAS manual, although it did find that WPL had infringed the copyright in the SAS manual by



reproducing a substantial part of that material in the WPL manual.

However, the Court requested guidance from the European Court of Justice (ECJ) as to whether the prior English case-law relied on had correctly interpreted the relevant governing legislation, in particular the European Software Directive, which protects the expression of a computer program, but does not extend to the underlying ideas and principles. The key question for the ECJ will therefore be to determine where logic, algorithms and programming language sit within this distinction.

The outcome of the case will be important both for software developers seeking to protect the value of their investment, and for those seeking to produce competing products.

E-privacy: Government fudge on cookie opt-ins

The Department for Business Innovation and Skills (BIS) has issued a consultation on its proposed implementation of changes to the European Electronic Communications Framework, including amendments to the E-Privacy Directive.

The amended Directive, which must be implemented by May 2011, provides that internet cookies can only be stored on or accessed from a user's computer, if the user "has given his or her consent [ie opted-in], having been provided with clear and comprehensive information... about the purposes [of the cookie]".

This marks a significant departure from the existing regime, where consumers are required to "opt-out" of cookies, either by blocking or deleting them.

However, there is no need to opt-in where storage of a cookie is "strictly necessary" in order to provide an internet service requested by a user. There has been much debate therefore about the circumstances in which storage of a cookie is "strictly necessary" and the requirement to opt-in can be waived.

Most recently, the Article 29 Data Protection Working Party issued an Opinion on Online Behavioural Advertising advocating a restrictive opt-in system for cookies, emphasising the need for "positive and informed consent" to be provided by users *before* cookies (on which behavioural advertising depends) can be installed on computers.



The BIS proposals have attracted criticism for failing to clarify the issue on grounds that "it would be very difficult to provide an exhaustive list of what uses are strictly necessary to deliver a particular online service and if we implemented in this way it would risk damaging innovation".

Instead BIS would prefer to adopting the Directive's wording in full and leave it to the Information Commissioner to provide future guidance.

This is unlikely to endear the UK Government to the European Commission in circumstances where it is already in trouble for failing to investigate BT's secret trial of the behavioural tracking technology Phorm under current e-privacy legislation.

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Red Sky fails to exclude liability for defective software

Kingsway Hall, a busy London hotel, purchased an "off the shelf" hotel management software package ("Entirety") from Red Sky in order to increase revenue and occupancy levels, and allow quicker check-in and check-out. Entirety was purchased in reliance on a number of representations and demonstrations from Red Sky's staff.

Red Sky's standard terms and conditions excluded all warranty terms as to the performance, quality and fitness for purpose of Entirety save for a warranty that it would provide the facilities and functions set out in the operating documents.

Entirety later proved to be not fit for its intended purpose, with users experiencing problems in amendments to and check-in of group bookings, reporting of room availability, and screen freezing. After a period of complaints and requests for Red Sky to remedy the defects, Kingsway formally rejected the software and issued a claim for lost

profits loss due to lower occupancy levels, cost of a replacement system, and additional and wasted staff costs.

At trial, Red Sky sought to rely on the exclusion of liability in its terms and conditions. The judge rejected this argument, and held that the standard terms were unreasonable and unenforceable in circumstances where Kingsway Hall had not seen the operating documents prior to the contract being signed, where it had relied on Red Sky's pre-contractual representations as to fitness for purpose, the parties were not of equal bargaining power and Entirety was not bespoke software.

It followed that Kingsway Hall was entitled to rely on the statutory implied terms of satisfactory quality and fitness for purpose, and was awarded damages in the region of £110,000.

The case illustrates only too well the limitations of contractual exclusion clauses and the need for careful drafting.

Advertising standards to apply to social media and business websites

The UK Code of Advertising, Sales Promotion and Direct Marketing (the CAP Code) is a voluntary but industry-recognised code which covers many forms of non-broadcast media. The CAP Code is enforced by the Advertising Standards Authority (ASA), which provides an alternative forum to the Courts for complaints concerning misleading, offensive or unlawful advertisements.

Although paid-for online advertising and promotions are currently covered by the CAP Code, other forms of online marketing, such as business websites and pages on social networking sites, have so far been exempt. Between 2008 and 2009, over 3,500 complaints concerning the content of business websites, many concerning misleading claims, were rejected by the ASA because they were outside the remit of the Code.

Following industry discussions, the digital remit of the CAP Code will be extended from 1 March 2011 to cover online marketing communications, including websites belonging to businesses and organisations and advertiser-controlled pages on social networking sites such as Facebook. The changes will affect all businesses and organisations regardless of size.



The extension of the CAP Code will apply only to marketing communications aimed at selling something, or directly seeking donations for fund-raising activities. However, initial guidance confirms that marketing which doesn't contain a price, or seek an immediate or short-term transaction may still be covered and in practice, the extension is likely to have broad implications requiring almost every page of a business website or online marketing efforts to comply with the Code.

The expansion of the CAP Code will fill a significant gap in the regulation of misleading marketing, and should be welcomed. However, all businesses and organisations should conduct checks now to ensure that their own marketing is CAP compliant in advance of the changes coming into effect on 1 March 2011.

Digital Economy Act - ISPs to share 25% of the cost



The Government has recently published its much awaited response to a consultation on how the initial costs of the online copyright provisions of the Digital Economy Act 2010 should be shared. Internet Service Providers (ISPs) are faced with paying 25% of these costs, with copyright owners paying the rest. Unfortunately, it seems likely that ISPs will pass these additional costs onto their subscribers by increasing the charges for their services, so ultimately it will be the ISPs' subscribers who pay. This news has increased public opposition to this controversial Act.

The Act was brought into force in part to combat online copyright infringement. Under the initial obligations, ISPs will incur costs in notifying subscribers of so-called Copyright Infringement Reports (CIRs) which have been received from copyright owners specifying that their copyright has been infringed and in providing lists to copyright owners of IP addresses of subscribers who have exceeded a threshold of 3 CIRs. Ofcom will also incur costs as a result of having to regulate and draft a new code, coupled with the costs of dealing with any appeals.

ISPs argued that the notification costs should be borne solely by the copyright owners, on the basis that they would be the main beneficiaries of the provisions. However, the Government has confirmed that copyright owners and ISPs will share the notification costs in the ratio of 75:25, concluding that by shifting some of the cost onto ISPs, it would incentivise them to take the necessary measures to effectively and efficiently implement the Act.

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