

CONCEPT

Guidance on internet trading in the EU

When selling goods and services over the counter to consumers, there are few problems determining which country's courts have jurisdiction to hear a dispute and which laws apply. Traders who contract with consumers over the internet, however, need to be aware that special rules apply depending on the content and accessibility of their website.

In December 2010, the European Court of Justice (ECJ) considered the rules for trading over the internet in relation to the enhanced consumer protection offered by the Brussels Regulation. According to the Regulation, if a trader uses the internet to "direct" his commercial activities towards consumers in a different EU country then the consumer can sue either in their domicile country or the trader's country while the trader can only sue in the consumer's country.

According to the ECJ, the enhanced protection is not engaged merely by the consumer having access to the trader's website or an intermediary website, or mention of the trader's e-mail address or other contact details required under the E-Commerce Directive. The ECJ then gave a non-exhaustive list of matters which could constitute evidence that the trader's activity was directed at foreign consumers which included:

- use of the language or currency specific to the consumer's country with the opportunity to make and confirm the contract in that language;
- mention of telephone numbers with an international code;
- outlay of expenditure on an internet referencing service (for example Google adwords) to encourage access by consumers in other countries; and
- use of a national top-level domain name other than that of the country in which the trader is established or use of a neutral top-level domain name such as ".com" or ".eu".

Traders can be comforted they are not automatically directing their activities at foreign consumers merely by having a website but should consider carefully the information on their website and the impression that it creates.

Pammer v Reederei Karl Schluter; Hotel Alpenhof v Heller (C-585/08 and C-144/09).



Bitter taste in confectioners' mouths

The General Court has upheld the decision of OHIM (Office for Harmonisation in the Internal Market) and denied Community trade marks to the confectioners Lindt and Storck for the shape of a chocolate bunny, chocolate reindeer, and decorative ribbon and bell (Lindt), and a chocolate mouse (Storck), on the basis of lack of distinctiveness.

The Court stressed that to be registrable, a trade mark should enable consumers to determine the commercial origin of the designated goods on the basis of the various elements making up the marks applied for.

However, in the Lindt and Storck cases, the Court decided the shape of the rabbit, reindeer and bell were typical

shapes used at Easter and Christmas in the chocolate confectionery industry. The use of gold wrapping was also commonly used for chocolate. As far as the rabbit was concerned, the sitting pose was not unusual nor were the ears, eyes and whiskers. In relation to the reindeer, the Court accepted it was a stylised depiction of a living reindeer but held that chocolate animals were rarely a realistic reproduction of their natural counterparts. Furthermore, the use of bells and red ribbons was judged to be a customary decoration and as such Lindt's ribbon and bell had no distinctive character.



continued on page 2

Welcome

Welcome to the Winter 2010/2011 edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

For further information on our Intellectual Property and Technology Team and the services we offer, please use the contact details on the back page.

To receive your own copy of **Concept**, please send your details to marketing@burges-salmon.com

Bitter taste in confectioners' mouths *continued*

"...a shape mark is only registrable to the extent that it is distinctive of the goods and services covered by the registration"

As for the Storck mouse, the Court decided that there were no features sufficiently distinctive to differentiate the shape – a stylised mouse on top of a rectangular block – from other sweets.

This decision confirms that as with any other trade mark, a

shape mark is only registrable to the extent that it is distinctive of the goods and services covered by the registration.

Chocoladefabriken Lindt & Spruengli v OHIM (T-336/08, T-337/08, T-346/08, T-395/08), and Storck v OHIM (T-13/09)

Taxation of IP reforms

On 29 November 2010, the Government published its "Road Map" for UK corporate tax reform, announcing its proposals for significant changes to the taxation of Intellectual Property (IP). These proposals will be the subject of consultation and engagement with business and other interested parties, as part of a 4-year timetable for implementing the reforms through legislation.

The proposed changes include refocusing the rules governing controlled foreign companies on targeting artificially diverted UK IP profits, while at the same time trying not to distort or inhibit the way that groups manage their commercial operations overseas by delivering a more territorial approach to the taxation of IP.

This will have implications for UK companies developing or managing intellectual property in the UK but holding it through a non-UK entity. The proposed new rules will also need to be taken into account when considering the transfer of UK-generated or UK-managed IP to other jurisdictions.

The Government also plans to focus on scientific and high-tech IP by introducing a preferential corporate tax regime

for profits arising from patents. This regime is referred to as the "Patent Box" and is intended to encourage Research and Development (R&D) and technical innovation.

A 10% corporation tax rate (reduced from 28%) will apply to profits from patents that qualify under the regime, as an incentive to create and retain IP in the UK. The new regime will be optional, avoiding an additional compliance burden where the amounts of tax at stake do not justify opting into the rules.

The UK's R&D tax credit schemes will continue as an incentive to encourage innovation by UK companies. The R&D tax credit scheme for small- and medium-sized companies affords relief from corporation tax to eligible companies at the rate of 175% of the qualifying revenue expenditure in the relevant accounting period. Companies that do not fulfil the small- and medium-sized company test but do have qualifying expenditure are entitled to a deduction of 130%.

A fuller briefing can be found at: http://www.burges-salmon.com/Practices/commercial/Publications/Taxation_of_IP_reforms.pdf

Patents County Court refuses request for default judgment against P2P file-sharers

The claimant, Media C.A.T. Limited (MCL), had issued claims against 8 defendant individuals that they had infringed copyright by downloading adult films and sharing them on peer-to-peer (P2P) networks.

Without notice to the defendants, MCL issued a request for judgment in default on the basis that the defendants had failed to file a defence within the prescribed time-limits. The judge refused the request in 6 out of the 8 cases, finding that defences had in fact been filed, or that there was no evidence the Particulars of Claim had ever been served on the defendants.

In the remaining 2 cases, because MCL was seeking an injunction in addition to damages, the judge held that MCL should have made a formal application to Court with evidence, and served notice of that application on the defendants. Default judgment was therefore refused in these two cases as well.

The judge noted that MCL's claims raised difficult and potentially controversial legal issues. These included the contention that the defendants were liable for indirectly "allowing" others to infringe copyright by failing to put reasonable safeguards in place on their internet connections, and that in addition to damages MCL was therefore entitled to an injunction to compel the defendants to secure their wireless networks against such use. The judge noted that there was no recorded English judgment in which a right to such an injunction had been recognised. He also noted that whereas "authorising" others to copy films could be an act of copyright infringement, "allowing" others could not.

The judgment indicates that rights-holders will continue to face significant legal challenges in tackling P2P file-sharing and that the default judgment procedure is unlikely to provide a fast and effective remedy. (MCL has subsequently applied to discontinue its claims.)

Clicking on hyperlinks could infringe copyright



In a so-called "battle royal" between the Newspaper Licensing Agency (NLA), Meltwater News (an online news monitoring company) and a trade association representing public relations consultants (PRCA) who subscribe to Meltwater's services, the High Court has ruled that the subscribers need a licence from the NLA to avoid infringing the copyright of the NLA's members (newspaper publishers).

Meltwater provides its subscribers with an online monitoring report containing hyperlinks to newspaper articles matching specified keywords, the hyperlink consisting of the newspaper headline. In addition, each hyperlink is accompanied by the opening words of the article and an extract from the article showing the keyword in context.

PRCA argued that merely by receiving the Meltwater report and clicking on the hyperlinks it contained, subscribers could not infringe copyright. However, Mrs Justice Proudman disagreed. In a controversial decision, she held that the newspaper headlines and text extracts in the report could be protected by copyright provided they "contain elements which are the expression of the intellectual creation of the work". Receiving the report by email or accessing it online necessarily meant making a copy of the report on the subscribers' PC, and so could constitute copyright infringement.

Moreover, the judge held that following a hyperlink in the report to a newspaper's website could itself be copyright infringement in circumstances where the terms and conditions of that website prohibit unauthorised commercial use.

Meltwater sought to rely on the exceptions in copyright law for temporary copying and fair dealing, both of which were rejected by the High Court.

End users and online news monitoring companies are critical of the judgment. Alongside the additional expense of acquiring the appropriate licence, the more obvious concern relates to the legality of internet browsing. Meltwater feels that this ruling "undermines the basic principles of the operation and use of the internet". An appeal is pending.

"...the judge held that following a hyperlink in the report to a newspaper's website could itself be copyright infringement in circumstances where the terms and conditions of that website prohibit unauthorised commercial use."

eBay could be ordered to close counterfeiter's accounts

The Advocate General has indicated that although eBay will not normally be liable for acts of trade mark infringement committed by its sellers, it could be held responsible for continuing or repeated infringements by the same user if the infringement has been brought to eBay's attention.

Advocate General Jääskinen delivered his opinion on a number of questions referred to the ECJ by the High Court in *L'Oréal v eBay*, in which L'Oréal brought an action for trade mark infringement against eBay in respect of unauthorised sales of genuine and counterfeit cosmetic products in eBay's online marketplace.

The opinion states that eBay should not lose the protection of the "hosting" defence under Article 14 of the E-Commerce Directive and be liable for listing counterfeit products merely because it gives automated guidance to sellers on the preparation of listings. However, the defence could be lost where eBay is notified of persistent infringement but fails to take appropriate action. In such circumstances the Advocate General envisaged that it might be possible to obtain an injunction against eBay requiring it to close the account of the seller in question.



The Advocate General also thought that while eBay would remain liable for the content of paid-for advertising on search engines such as Google, the use of third-party trade marks as keywords to trigger such ads was unlikely to infringe the marks.

If the ECJ follows the Advocate General's opinion, then operators of online marketplaces such as eBay will need to become much more proactive in preventing repeated infringements, or risk being held liable themselves.

Digital Economy Act – ISPs fight back

In November 2010 the Digital Economy Act 2010 (DEA) hit a stumbling block as telecommunication giants and broadband suppliers BT and Talk Talk were successful in their application for a judicial review of the DEA.

The DEA provoked widespread condemnation when it was rushed through normal legislative procedures by the outgoing Labour government as part of the so-called "wash-up" procedure, a process designed to pass uncontroversial, uncontested Bills before the dissolution of Parliament. Telecommunications businesses argued that the DEA had not been subjected to adequate Parliamentary or public scrutiny and that the wash-up procedure was grossly inadequate for such a wide-ranging piece of legislation.

The claim by BT and Talk Talk is that the DEA is a disproportionate response to the concerns of unlawful peer-to-peer filesharing, and will impose onerous cost obligations on them to identify and notify suspected copyright infringers, to report back to rights-holders and potentially to implement technical measures to prevent infringement. Moreover, they argue that under the DEA innocent subscribers (eg parents) could be liable for acts of others who are using their account (eg children) and that the DEA contravenes European law on privacy and human rights.



The ISPs have also questioned whether the problem of unlawful peer-to-peer file sharing warrants the costs of implementing the notification provisions in the DEA, when non peer-to-peer methods of unlawful file sharing (for example the use of so-called "cyberlocker" sites such as Rapidshare) are becoming increasingly prevalent.

If BT and Talk Talk are successful in their judicial review, the DEA could be quashed and the Government's plans for tackling the problem of unlawful file-sharing would suffer a major setback.

The hearing is scheduled to take place in March 2011.

David Cameron announces review of IP laws

In November 2010, David Cameron announced an independent review of IP laws.

The review, entitled "*Independent review of intellectual property and growth*", is being chaired by Professor Ian Hargreaves, its stated purpose being to identify barriers to growth within the IP legal framework and consider how the framework might be changed to further promote innovation and economic growth. According to the UK Intellectual Property Office (IPO) website, the review is expected to report in April 2011 and look at:

- Barriers to new internet-based business models, including the costs of obtaining permissions from existing rights-holders;
- The cost and complexity of enforcing IP rights within the UK and internationally;
- The interaction between IP and competition frameworks; and
- The cost and complexity to SMEs of accessing services to help them protect and exploit their IP.

On 17 December 2010, Professor Hargreaves issued a "Call for Evidence" to enable him to hear from the widest possible range of interests during the review. The Call for Evidence is available to download from the IPO website and sets out a series of questions in relation to patents, copyright, enforcement of IP rights and competition. The review team has requested responses by 1 March 2011 from any interested parties (they are particularly interested in hearing from SMEs).

The Prime Minister also announced (as part of a "Technology Blueprint") that the IPO will trial a "peer-to-patent" project. The purpose of this project is to help improve the quality of granted patents by allowing members of the public to comment on patent applications, for example by providing relevant prior art that an examiner may have missed. Any measure that provides more certainty to a business with regard to a granted patent is generally welcomed and more information on the peer-to-patent project can be found on the IPO website.

Intellectual Property and Technology contacts

Helen Scott-Lawler
helen.scott-lawler@burges-salmon.com

Andrew Dunlop
andrew.dunlop@burges-salmon.com

Jeremy Dickerson
jeremy.dickerson@burges-salmon.com

Andrew Tibber
andrew.tibber@burges-salmon.com

One Glass Wharf
Bristol BS2 0ZX
Tel: +44 (0) 117 939 2000
Fax: +44 (0) 117 902 4400

Chancery Exchange
10 Furnival Street
London EC4A 1AB
Tel: +44 (0)20 7685 1200
Fax: +44 (0)20 7685 1266

www.burges-salmon.com

This newsletter gives general information only and is not intended to be an exhaustive statement of the law. Although we have taken care over the information, you should not rely on it as legal advice. We do not accept any liability to anyone who does rely on its content.

© Burges Salmon LLP 2011.
All rights reserved. Concept is printed on 75% recycled paper.

Your details are processed and kept securely in accordance with the Data Protection Act 1998. We may use your personal information to send information to you about our products and services, newsletters and legal updates; to invite you to our training seminars and other events; and for analysis including generation of marketing reports. To help us keep our database up to date, please let us know if your contact details change or if you do not want to receive any further marketing material by contacting marketing@burges-salmon.com

Burges Salmon LLP is a Limited Liability Partnership registered in England and Wales (LLP number OC307212) and is regulated by the Solicitors Regulation Authority.

A list of members, all of whom are solicitors, may be inspected at our registered office: One Glass Wharf, Bristol BS2 0ZX.