



TRADE MARKS

“The War of the Roses”: Proportionality and Use in Accordance With Honest Practices

Samuel Smith Old Brewery v Philip Lee (t/a Cropton Brewery) [2011] EWHC 1879 (Ch) concerns two breweries, Yorkshire pride, and a lost sense of proportionality. Although Cropton Brewery was found liable for trade mark infringement, notably, Arnold J made no award for damages.

BACKGROUND

Since 1973, Samuel Smith has been the registered proprietor of the following UK trade mark in respect of “beer” in Class 32:



Cropton Brewery, a rival Yorkshire brewery, produced a bottled beer exclusively for Marks & Spencer plc (M&S), a major retailer in the United Kingdom, which also used a white rose on its label:



Following the launch of Yorkshire Bitter in October 2007, Samuel Smith’s trade mark attorneys sent a letter to M&S alleging trade mark infringement and passing off. M&S denied

the claims but never informed Cropton Brewery of the correspondence.

Cropton Brewery launched Yorkshire Warrior in April 2008, using on its labels the Yorkshire Regiment cap badge, which also included a white rose, with the consent of one Lieutenant Colonel O’Kelly:



Samuel Smith issued proceedings for trade mark infringement under Article 5(1)(b) of the Trade Marks Directive (89/104/EEC, as replaced) and passing off.

INFRINGEMENT UNDER ARTICLE 5(1)(b)

Cropton Brewery argued that Samuel Smith’s mark had only minimal distinctive character as it represented the county of Yorkshire. However, Arnold J found the Yorkshire rose to be “rather different”, and although the mark was the county’s emblem, that did not prevent it from acquiring a secondary meaning as denoting Samuel Smith’s beers. Given the substantial sales and sums spent on promoting the mark over the last 40 years, Arnold J was satisfied that the mark had acquired a “reasonably strong distinctive character”.

As for likelihood of confusion, in respect of Yorkshire Bitter, the differences between the white rose devices, the identification of “Cropton Brewery” on the front of the label, and the absence of substantial evidence of actual confusion, found against it. As for Yorkshire Warrior, however, Arnold J found there was a likelihood of confusion given the closer similarity between designs and the absence of “Cropton Brewery” from the front of the label.

DEFENCE UNDER ARTICLE 5(1)(b) OF THE DIRECTIVE

Arnold J found that, in respect of Yorkshire Bitter, even if there had been a likelihood of confusion, usage was in accordance with honest practices. The label had been designed by or on behalf of M&S, which should have undertaken trade mark searches, and Cropton Brewery was not aware of Samuel Smith's trade mark before June 2009. Moreover, there was no evidence of actual confusion and most consumers would perceive the white rose element of the Yorkshire Bitter label as denoting geographical origin.

In respect of Yorkshire Warrior, Cropton Brewery's use was in accordance with honest practices only until the end of October 2009, when Cropton Brewery was informed by the Ministry of Defence, concerned by the risk of infringement, that Lieutenant Colonel O'Kelly did not have authority to consent to the use of the cap badge.

Before that date, Cropton Brewery had no reason to suppose that Lieutenant Col O'Kelly did not have authority to give consent, or that use of the cap badge might infringe another party's rights. As Cropton Brewery was a small concern, run by a sole trader, it was reasonable not to conduct a trade mark search. There was no evidence of actual confusion and most consumers would, again, perceive the white rose element as denoting geographical origin.

However, Cropton Brewery had committed the tort of passing off, as its use of the Yorkshire Warrior label gave rise to a misrepresentation, which was damaging to the reputation and goodwill of the mark.

UNJUSTIFIED THREATS DEFENCE

Arnold J held that Cropton Brewery was not a "person aggrieved" and therefore could not rely on the unjustified threat defence in respect of the M&S letter. First, the label had been designed by or on behalf of M&S, second, Cropton Brewery knew nothing of the letter, and third, there was no evidence that the threat had adversely affected Cropton Brewery's commercial relationship with M&S.

COMMENT

Even though Cropton Brewery was held liable for trade mark infringement in respect of one beer label, no award for damages was made. For Arnold J the costs were "out of all proportion" to what was at stake. It is clear that any party to a similar dispute should carefully consider issues of proportionality of costs and the idea of mediation before issuing proceedings.

TRADE MARKS

Registrability of Marks Containing Geographical Indications of Origin

"Cognac" as a geographical indication (GI) cannot be used in a trade mark of a spirit drink not covered by that GI, as the commercial use of such a mark would harm the protected indication.

BACKGROUND

Bureau National Interprofessionnel du Cognac v Gust Ranin Oy [2011] Joined Cases C-4/10 and C-27/10 related to a reference from the Finnish Supreme Administrative Court, following registration of two figurative marks including the term "Cognac" and its Finnish translation "Konjakki" for spirit drinks.

In January 2003, Gust Ranin Oy, a Finnish company, registered two figurative marks in the form of bottle labels in respect of "Cognacs and liqueurs containing cognac" in Class 33. Both labels contained the word "cognac" in both English and Finnish.

Under the regulation on the protection of geographical names however, Cognac is a geographical indication protected under French and, since 15 June 1989, EU law, identifying wine spirits originating from France. The Bureau National Interprofessionnel du Cognac (BNIC), a French organisation of Cognac producers, opposed both registrations, but on appeal, both marks were found to be valid. The BNIC appealed to the Supreme Administrative Court, which stayed the proceedings and referred the case to the Court of Justice of the European Union (CJEU) regarding, i) whether Regulation 110/2008 was applicable to the assessment of the validity of the registration of a trade mark containing a GI, where that mark was registered before the Regulation entered into force; and ii) whether Articles 16 and 23 precluded the registration of marks containing GIs, or a generic term referring to that GI and its translation, where that registration did not meet the specifications set for that indication.

DECISION

On the first question, the CJEU held that since those marks contained GIs, Regulation 110/2008/EC on the labelling and protection of GIs of spirit drinks was applicable to the assessment of their validity, notwithstanding that those marks were registered before the Regulation entered into force. The Regulation thus had retrospective effect.

With regard to the second question, the Court said that the fact that Cognac had been protected as a GI since 1989 warranted

the application of Article 23 and was sufficient to establish that the contested marks, which had been registered in 2003, could not benefit from the temporary derogation provided for in Article 23(2). Having noted that Cognac had not become generic, according to Article 14(2), the CJEU held that it could not be translated either on the label or in the presentation of a spirit drink. Additionally, Article 16(a), which referred to the direct or indirect commercial use of a GI in respect of products that were not covered by the registration, prohibited the use of a mark containing the term Cognac on comparable products. It was immaterial that there were various categories of “spirit drinks” as these types of drinks, to the relevant public, had common objective characteristics, were consumed on largely identical occasions, distributed through the same channels, and were subject to similar marketing rules.

Furthermore, the CJEU said that the use of the word cognac would offend Article 16(b) as it would evoke, in the mind of the relevant consumer, the products protected by that GI because of the phonetic and visual similarities between the marks (see *Conorzio per la tutela del formaggio Gorgonzola* [1999] C-87/97 ECR I-1301).

The CJEU thus held that the Finnish authorities must invalidate the registration of the contested marks.

TRADE MARKS

CJEU Considers Effect of Honest Concurrent Use in BUDWEISER Reference

In *Budějovický Budvar, národní podnik v Anheuser-Busch, Inc*, C-482/09 (22 September 2011), the Court of Justice of the European Union (CJEU) ruled that both Anheuser-Busch and Budvar can continue to use the BUDWEISER trade mark in the United Kingdom as there had been a long period of honest concurrent use. The CJEU found that Budvar’s use of its registered mark did not have any adverse effect on Anheuser-Busch’s registration, which was a prerequisite for granting a declaration of invalidity under Article 4(1)(a) of the Community Trade Mark (CTM) Directive (89/104/EEC, now replaced by 2008/95/EC).

BACKGROUND

Budvar and Anheuser-Busch have used the sign BUDWEISER (or expressions including the sign BUDWEISER) in the United Kingdom since 1973 and 1974 respectively. In December 1979, Anheuser-Busch applied to register BUDWEISER as a UK trade mark. Budvar opposed the application before submitting its own application in June 1989, which Anheuser-Busch opposed. The Court of Appeal dismissed the oppositions in February 2000, holding that both parties could register and use the BUDWEISER

trade mark under the honest concurrent use principle. Both Budvar and Anheuser-Busch obtained registrations for the mark BUDWEISER on 19 May 2000.

On 18 May 2005, *i.e.*, one day before the expiry of the five year period of acquiescence prescribed in Article 9(1) of the CTM Directive, Anheuser-Busch brought an invalidity action against Budvar’s mark, claiming that Anheuser-Busch’s mark was an earlier trade mark. The UK Registry declared Budvar’s mark invalid. Budvar’s appeal to the High Court of England and Wales was unsuccessful.

DECISION

Budvar appealed to the Court of Appeal, which referred questions to the CJEU for a preliminary ruling concerning the meaning of “acquiescence” and, in particular, whether a trade mark proprietor was required to have his trade mark registered before being able to “acquiesce” in the use by another of an identical or similar mark. The Court also sought guidance on exactly when the period of “five successive years” to which Article 9 refers commenced, and whether Article 4(1)(a) applied so as to enable the proprietor of an earlier mark to prevail even where there had been a long period of honest concurrent use of two identical trade marks for identical goods.

Considering the ordinary meaning of the word “acquiescence”, the CJEU held that “acquiescence” was not the same as “consent”. Accordingly, the proprietor of an earlier trade mark could not be held to have acquiesced in the long and well-established honest use, of which he has long been aware, by a proprietor of a later identical trade mark, if he was not in any position to oppose that use. The CJEU held that both parties had “acquiesced” in the use by the other of the BUDWEISER mark in the United Kingdom for more than 30 years.

The CJEU further held that registration of the earlier mark was not a prerequisite for the five year limitation period in consequence of acquiescence to commence. For the period to begin running, the later mark had to be registered in good faith, it had to be used, and the owner of the earlier mark had to be aware of its registration and use.

With regards to the application of Article 4(1)(a), each party had been marketing their beers in the United Kingdom under the BUDWEISER mark for almost 30 years before the marks were registered. Both parties were authorised to register jointly and concurrently their marks following the Court of Appeal’s judgment and had used their marks in good faith. Although the names were identical, given the different taste, price and get-up, consumers were well aware of the difference between the beers and respective parties. Therefore, the CJEU said, Article 4(1)(a) had to be interpreted as meaning that, in circumstances such as these (which the CJEU remarked were “exceptional”) a long period of honest concurrent use of two identical trade

marks designating identical products neither had, nor was liable to have, an adverse effect on the essential function of the trade mark, which was to guarantee to consumers the origin of the goods or services. If there was any dishonesty associated with the use of the BUDWEISER marks in the future, the CJEU held that such a situation could, where necessary, be examined in light of the rules relating to unfair competition.

COMMENT

The CJEU's ruling is perhaps of little surprise given the "exceptional" period of honest concurrent use.

TRADE MARKS: KEYWORD ADVERTISING

Further CJEU Guidance On Keyword Advertising And Trade Mark Infringement

In [*\(1\) Interflora Inc. \(2\) Interflora British Unit v \(1\) Marks & Spencer plc \(2\) Flowers Direct Online Ltd, Case C-323/09 \(22 September 2011\)*](#), the Court of Justice of the European Union (CJEU) has provided further guidance on circumstances in which use of a registered trade mark as a keyword by a third party advertiser may constitute trade mark infringement.

BACKGROUND

Marks & Spencer (M&S), a major retailer in the United Kingdom that provides a flower delivery service in competition with Interflora, selected as advertising keywords the word "Interflora" and variants thereof. When internet users entered the word "Interflora" or one of those variants in the Google search engine, an M&S advertisement appeared in the form of a sponsored link. Interflora issued UK proceedings against M&S for trade mark infringement. The UK court referred a number of questions to the CJEU for a preliminary ruling concerning the scope of Community Trade Mark (CTM) Regulation No. 40/94/EEC (now replaced by 207/2009/EC) and the CTM Directive No. 89/104/EEC (now replaced by 2008/95/EC).

DECISION

Referring to the CJEU's previous decision in *Google France and Google Joined Cases C-236/08 to C-238/08* [2010] ECR I-2417, the CJEU found that a trade mark owner was entitled to prevent a competitor from using a keyword identical to a trade mark to advertise goods or services, which were identical to those for which the trade mark was registered, without the trade mark owner's consent, where such use was liable to have an adverse effect on one of the functions of the trade mark. Such use would adversely affect the trade mark's function of indicating origin where the advertising displayed on the basis of that keyword did not enable reasonably well-informed and

reasonably observant internet users, or enable them only with great difficulty, to ascertain whether the goods or services in the advertisement originate from the trade mark owner or an undertaking economically linked to that owner.

The CJEU further found that such use did not adversely affect the trade mark's advertising function in the context of an internet referencing service having the same characteristics as the service at issue in the proceedings and that such use adversely affected the trade mark's investment function, if it substantially interfered with the trade mark owner's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. However, the mere fact that keyword use would lead some consumers to switch to competitor goods was not itself a basis for finding that the investment function was adversely affected. It was for the national court to determine whether the use, by M&S, of the sign identical to the INTERFLORA trade mark jeopardised the maintenance by Interflora of a reputation capable of attracting consumers and retaining their loyalty.

With respect to the question of extended protection, the CJEU confirmed that a trade mark owner could prevent third party use of a trade mark as a keyword if the use complained of could be regarded as taking unfair advantage of the distinctive character or repute of the trade mark (free-riding), or where the advertising was detrimental to that distinctive character (diluting), or repute (tarnishing). By way of example, the CJEU found that keyword advertising would be detrimental to the distinctive character of a trade mark with a reputation where it contributed to turning the trade mark into a generic term. It was for the national court to determine whether the selection of signs corresponding to the trade mark INTERFLORA as keywords had such an impact on the market for flower-delivery services that the word "Interflora" had come to designate, in the consumer's mind, any flower-delivery service.

With respect to taking unfair advantage, the CJEU found that a trade mark owner could not prevent third parties from using trade marks in keyword advertising where they were merely putting forward alternative goods or services, were not offering a mere imitation of the trade mark owner's goods and services, and were not diluting or tarnishing the trade mark, or adversely affecting the functions of the trade mark, as this fell within the scope of free competition.

COMMENT

The judgment confirms previous principles expounded by the CJEU whilst adding an extra dimension by stating that keyword use may be prevented by a trade mark owner where it substantially interferes with the owner's use of its trade mark to acquire or preserve a reputation capable of attracting consumers and retaining their loyalty. Ultimately, the outcome

of the case will depend on the application of these principles to very specific facts when it is remitted to the UK court.

COPYRIGHT AND LICENSING

Territorial Exclusivity of Football Broadcasts Found Contrary to EU Law

The Court of Justice of the European Union (CJEU) has ruled in *Football Association Premier League Ltd v QC Leisure C-403/08* and *Karen Murphy v Media Protection Services Ltd C-429/08* (4 October 2011) that a system of licences for the broadcasting of sporting events which grants licensees territorial exclusivity on a Member State basis, and which prohibits television viewers from watching the broadcasts in one Member State using a decoder licensed for use in another, is contrary to EU law.

BACKGROUND

These combined proceedings concerned references from the High Court of England and Wales in relation to claims by the Football Association Premier League (FAPL) against a number of pubs that were using Greek decoder cards to screen Premier League matches, and their suppliers.

Premier League matches are broadcast in various Member States under a system of licences that grant particular FAPL broadcasters, selected under an open, competitive tender, territorial exclusivity on a Member State basis. Such licence agreements require the selected broadcaster to protect its exclusivity, and prevent the public from outside the Member State from receiving its broadcasts, by encrypting its satellite signal before sending this encrypted signal to its subscribers within the territory. The disputes that resulted in these cases were the result of attempts to circumvent the exclusivity of broadcasting rights.

DECISION

The CJEU found that national legislation that prohibits the import, sale or use of foreign decoder cards is contrary to the freedom to provide services and cannot be justified. Such legislation is unjustifiable on the grounds of protecting intellectual property rights, as the FAPL cannot claim copyright in the matches broadcast as sporting events cannot be considered to be an author's own intellectual creation and, therefore, to be "works" for the purposes of copyright law in the European Union. Even if national law were to confer comparable protection upon sporting events—this in principle could be allowable under EU law—a prohibition on using decoder cards would go beyond what is necessary to ensure appropriate remuneration for the holders of the rights

concerned. The restrictions also cannot be justified on the grounds of encouraging the public to attend football matches.

The Court also found that a system of exclusive licences is contrary to EU competition law if the licence agreements prohibit the supply of decoder cards to television viewers who wish to watch the broadcasts outside the Member State for which the licence is granted.

While the FAPL could not claim copyright in the matches themselves, the opening video sequence, musical themes, pre-recorded films showing highlights of recent Premier League matches and various graphics that were added to the feed supplied to foreign broadcasters were protected by copyright.

The screening in a pub of broadcasts containing such protected works did constitute a "communication to the public" within the meaning of the Copyright Directive, for which the rights holder's permission is necessary. This is because, when a pub transmits those works to customers on the premises, the works are transmitted to an additional public that was not considered by the authors when they authorised the broadcasting of their works.

COPYRIGHT: MUSIC

EU Enhances Copyright Protection for Sound Recordings and Songs

On 12 September 2011, Directive 2011 / 77 / EU, amending Directive 2006 / 116 / EC on the term of protection of copyright and certain related rights (the Directive) was adopted. The Directive extends the term of copyright protection for performers and sound recordings from 50 to 70 years.

BACKGROUND

The Directive, which is often referred to as "Cliff's Law", after the singer Cliff Richard, who campaigned for the extension of the period of protection, is intended to enable performers to earn money for a longer period of time. Sir Cliff's music, for example, started losing protection in 2008, hence his strong backing of the amendment to the existing legislation. The Directive will bring protection more in line with that afforded to authors, which extends to 70 years after their death.

The reasoning behind extending this period of protection is set out in Recital 5 of the Directive: "Performers generally start their careers young and the current term of protection of 50 years applicable to fixations of performances often does not protect their performances for their entire lifetime." Although the extra income is unlikely to be important for singers such as

Sir Cliff, it will be important for other singers, who do not have a regular salaried income late in their career. The European Commission stated that if the present term of 50 years was not changed, some 7,000 UK performers would lose their airplay royalties in the next 10 years. Record producers will also benefit from the amendments to the legislation as they will receive additional revenue from the sales of records in shops and online.

To deal with concerns that the extension would only benefit music producers, the Directive contains a set of accompanying measures designed to ensure that performers who have assigned their rights to record producers will get additional revenue from the extension. First, there will be a 20 per cent “session musicians fund”, paid by the record producer. This 20 per cent will correspond to the revenue derived by the record producer from the recording during the extended period, before deducting costs. The fund will apply to all recordings that benefit from the term extension and will ensure that performers who have transferred or assigned their exclusive rights for a one-off flat fee obtain additional payments during the extended term, these costs being paid at least once a year.

Second, the Directive contains a “use it or lose it” clause, which means the record producer will have to cede control over its copyright to performers if it does not market the sound recording containing the performance, or make sufficient quantities of it available to the public during the extended 20 year period. If a record producer does not market a recording despite a request from the performer, the performer will get their rights back, thus terminating the assignment, and enabling the performer to market the recording himself, or sell the recording to another record company willing to market it. The record producer would, in this case, lose his copyright in the recording.

Third, the Directive has a “clean slate” provision that prevents any deductions being made (whether or not these have been contractually provided for) from the contractual royalties owed to featured performers during the extended term. This again applies to those performers who assigned their exclusive rights to the record producer in return for royalties or remuneration.

The Directive harmonises the method of calculating the term of protection of songs and other musical compositions with words created by several authors. The term of protection will expire 70 years after the death of the last surviving member of the song writing team: either the author of the lyrics or the composer of the music, provided that both contributions were specifically created for the work in question.

The Member States will be required to implement the Directive within two years from the date of its entry into force.

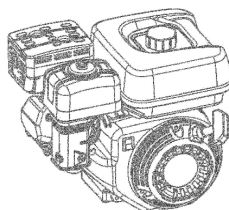
REGISTERED COMMUNITY DESIGN RIGHT

The European General Court Decides Only Visible Parts Determine Overall Impression

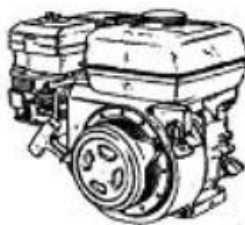
In *Kwang Yang Motor Co Ltd v OHIM* Cases T-10/08 and T-11/08 9 September 2011 (unreported) the European General Court (GC) held that a design that constituted a component part of a complex product could only be considered to have individual character if the component part remained visible during normal use and fulfilled the requirements as to novelty and individual character.

BACKGROUND

In 2004, Kwang Yang registered the Community design shown below, which constituted a component part of a complex product, *i.e.*, an internal combustion engine that was to be incorporated into a lawnmower:



In 2005, Honda challenged the validity of the design claiming that it was not new and lacked individual character pursuant to Articles 4 to 6 of the Community Design Regulation (6/2002/EC), as it was identical to Honda’s earlier US registered design:



In 2006, the Invalidity Division of the The Office of Harmonization for the Internal Market (OHIM) rejected Honda’s application for invalidity. However, this decision was overturned in 2007 by OHIM’s Third Board of Appeal. In its assessment, the Board held that the component parts that remained visible during normal use was primarily the upper side and, on account of similarities in shape, position and relative size of the components, the overall impression produced was the same. It found that Kwang’s design was

therefore invalid, especially given that the designer had a high degree of freedom. Kwang appealed to the GC.

DECISION

The GC, contrary to Kwang's argument, agreed with the Board's assessment that during the normal use of the lawnmower, the user, who stands principally behind the lawnmower, saw the upper side of the engine. The remaining question for the GC, therefore, was whether the overall impression produced on the informed user by the visible features differed from that produced by Honda's design.

Individual Design

The Informed User

The GC extended the current test for the informed user from someone who is neither a designer nor a technical expert of the relevant product, to someone who beyond the experience gained by using the product concerned, is unable to distinguish aspects of the appearance of the product that are dictated by the product's technical function from those that are arbitrary.

Designer's Degree of Freedom

The GC held that the Board did not err in finding that the designer had a high degree of freedom in designing engines. First, no limit was imposed as to the shape of the upper side of those engines. Second, the components of the engine could be positioned differently without altering the functionality or the aesthetic considerations.

Overall Impression Produced by The Two Designs

The GC found that the upper sides of both designs were similar in shape (rounded vents with straight openings to the rear of the engine and "C" shaped fuel tanks), and that their respective components were similar in proportions, arrangements, dimensions, layouts, sizes and shapes. The GC held that these similarities were more important than the differences in details that could not have an impact on the overall impression, since the informed user would be guided by basic structures alone.

The GC therefore ruled that the Board had rightly concluded that Kwang's design lacked individual character since the designs at issue produced the same overall impression.

COMMENT

When considering component parts of a complex product, this ruling has shown that only the part(s) of that product that are left visible during its normal use will determine the overall impression produced. As well as extending the current test for the informed user, notably, the GC also held that differences in details between designs that would not have an impact on the

overall impression are to be ignored, since the informed user would only focus on the basic structures.

DATABASE RIGHT

Sui Generis Database Rights and What Constitutes a Substantial Part

In *Beechwood House Publishing v Guardian Products Ltd* [2011] EWPC 22, the Claimant's database right was found to have been infringed when the Defendants extracted 6,000 records from the Claimant's database of 43,000 records. Additionally, the judge found that a subsequent mass-mailing exercise also amounted to infringement as each extraction was systematic.

BACKGROUND

Beechwood House Publishing publishes a database consisting of the names and addresses of practice nurses and doctors. In collating the database, Beechwood planted "seeds", which consisted of fictitious names attached to addresses corresponding to Beechwood's staff.

In April 1997, a third company called Bespoke Database Organisation Ltd (BDOL) purchased a licence to use part of the database, which comprised 8,363 records, for one mail-out. Under the terms of the licence, BDOL was obliged to delete the records after the mail-out had been completed. In breach of the licence, BDOL incorporated the records into its own database. In 2006, the Defendants bought BDOL's entire database and loaded it onto their computers. Of the 8,363 records they loaded, around 6,000 were found to be identical to records on Beechwood's current database. The reason they were not all identical was because some had changed as a result of being updated.

The Defendants then entered into a contract with a client to conduct a mailing exercise. One of the mailings was sent to a seed, alerting Beechwood.

DECISION

His Honour Judge Birss QC found that the loading of the data onto the Defendants' computers was an act of extraction within the meaning of the Copyright and Rights in Databases Regulations 1997. The main issue was only whether what had been extracted was a substantial part of Beechwood's database such as to amount to infringement under Regulation 16(1). Also at issue was whether the mailing process, *i.e.*, printing individual letters using data from Beechwood's database, amounted to unlawful extraction as a repeated and systematic extraction of insubstantial parts, which may amount to

extraction of a substantial part, as provided by Regulation 16(2) of the 1997 Regulations.

Substantial Part

To assess what amounted to a substantial part, HHJ Birss applied the test from *British Horseracing Board v William Hill* [2005] C-203/02 RPC 13 on quantitative and qualitative substantial parts. On the quantitative approach, he considered the volume of data extracted as against the volume of data in the database as a whole. On the qualitative approach, he considered the scale of investment in obtaining, verifying, or presenting the content of the database, regardless of whether it amounted to a quantitatively substantial part of the whole.

Evidence concerning the financial investment made by Beechwood led the judge to conclude that the 6,000 records, or the 4,783 identical records, amounted to a “significant human and financial investment” and thus a qualitatively substantial part of Beechwood’s database.

As for the quantitative question, HHJ Birss QC noted that a quantitatively substantial part should be assessed in relative terms. In his view, “quantitatively substantial” could not require the numerical majority of the records. Six thousand records out of 43,000 equalled around 14 per cent; 4,783 out of 43,000 equalled 11 per cent. In the judge’s view, 11 per cent or 14 per cent of the data was at the lower end of what could be regarded as quantitatively substantial. However, even 11 per cent represented a significant part of the volume of the database, as its creation had required substantial resources.

The Mailing Process

Here, the judge found that each individual letter sent out by the Defendants was only an insubstantial part of the whole database. However, the individual extractions were repeated, one after the other, and were systematic. Therefore, they fell within Regulation 16(2) and amounted to infringement.

COMMENT

Since cases on the *sui generis* database right are few and far between, the judge’s analysis of substantial part, in particular as regards the scale of investment in the database, is a useful one. Also of note is that the Defendants failed in their argument that they were not liable because they believed that they had purchased the data legitimately, as the question of infringement is one of strict liability. This emphasises the need for adequate contractual protections when acquiring intellectual property rights.

DATA PROTECTION

How The Cookie Crumbles: A Clash of Cultures on Cookie Regulation

The Article 29 Working Party has met with Internet Advertising Bureau (IAB) Europe and European Advertising Standards Alliance (EASA) representatives to tell them in no uncertain terms that their otherwise well-received Best Practice Recommendation (BPR) and Framework on Online Behavioural Advertising (OBA) does not comply with the revised e-Privacy Directive provisions on cookies.

BACKGROUND

On 14 April 2011, the IAB Europe launched a pan-European self-regulatory Framework for online behavioural advertising, setting out good practice principles for behavioural advertisers. The Framework’s stated aim is to provide consumers with greater awareness and control over OBA, which is facilitated by “cookies”, small text files that store information about a user’s browsing preferences and history. In particular, the Framework introduces an icon that will appear in and around behavioural adverts and will provide a one click option for consumers to access further information, as well as manage preferences and, most importantly opt-out of receiving OBA via a new pan-European website, www.youronlinechoices.eu. Since the Framework obligations are only binding on signatory companies, the Framework is made part of, and complemented by, a new Best Practice BPR from the EASA, also published on 14 April. The IAB’s Framework is therefore supported by the EASA and its network of self-regulatory organisations (SROs), which include the Advertising Standards Authority for the United Kingdom.

Neelie Kroes, the European Commission Vice-President for the Digital Agenda, in a speech at the On-line Tracking Protection & Browsers Workshop in Brussels on 22 June 2011 welcomed the adoption by the EASA and IAB Europe of the BPRs and Framework. This, however, elicited an adverse response from the European Data Protection Supervisor who called upon the Commission to “avoid ambiguity” in light of the clear protections in the revised e-Privacy Directive against the “highly intrusive practice” of tracking and tracing consumer behaviour online and in light of the Commission’s insufficiently qualified approval of the IAB/EASA Framework and other initiatives such as the US “do-not-track” initiative, that “fall short of the e-Privacy Directive requirements”.

The Letter

In his 3 August 2011 open letter to the OBA industry, the Chairman of the Article 29 Working Party says that, whilst the mechanisms proposed by the joint practice adopted by the IAB

and the EASA enable people to object to being tracked for the purposes of serving behavioural advertising, they do not meet the requirement to obtain actual informed consent, as the tracking and serving of adverts takes place unless people object. Under the revised e-Privacy Directive, for consent to be valid it must be “freely given, specific and informed”.

The mechanism employed should therefore leave no doubt about the user’s wishes. As the Chairman states, “It cannot be concluded that users who have not objected to being tracked for the purposes of serving behavioural advertising have exercised a real choice”. In other words, an absence of action cannot indicate consent.

As for browser settings, the letter states that, to meet the requirements of the e-Privacy Directive, people cannot be deemed to have consented to cookie-use simply because they acquired or used a browser or other application that by default enables the collection and processing of their information. The Working Party considers that, in order for browsers to deliver valid consent, it must by default reject third party cookies and require the data subject to engage in an affirmative action to accept cookies from specific websites for a specific purpose.

Further, people must be given clear and comprehensive information about cookie-use before being asked to consent. Such information must be given in a way that average internet users will understand.

Finally, it is not enough for information to be available somewhere, it must be given to users directly. Under the EASA/IAB Code, once the user clicks on the icon, he/she will need to click at least two further times to obtain the additional information and be able to opt out. This does not comply with the provisions of the revised e-Privacy Directive.

The Meeting

At the subsequent meeting on 16 September, the representatives of the OBA industry stated that their code was intended primarily to create a level playing field and conceded that the current version in itself does not intend to provide compliance with the European and national legal requirements. Chairman Kohnstamm nevertheless warned that companies must not be misled into thinking that the code offers a “safe haven”. European data protection authorities have been tasked with ensuring compliance and will, where necessary, enforce it on the basis of the law.

The Chairman invited the representatives to address the concerns raised in his letter of 3 August and said that the Working Party will take these answers into account in order to prepare an informed opinion on the self-regulatory code by the end of the year.

COMMENT

It’s not just those in the advertising industry that are scratching their heads over what they have to do to comply with what must go down as one of the most annoying laws of the 21st century. Any website that uses cookies that aren’t necessary for the delivery of the service has to get informed consent and at the moment that appears to mean defacing every landing page with a notice drawing attention to the use of cookies and asking for consent to their use before the site-user goes any further into the site.

There are already a number of responsible sites out there that feature a cookie notice on every page and feature a tick box requesting opt-in consent, but few if any will block access to other parts of the site that serve cookies when the user doesn’t actually tick the box. Informed consent doesn’t strictly mean explicit consent, but having a tick box that you don’t have to tick is nonsense. And in any event, as the Working Party will tell you, “only statements or actions, not mere silence or inaction, constitute valid consent”.

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