McDermott Will & Emery

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Patents

***Gedeon Richter plc v Bayer Schering Pharma AG*: "Obvious to Try" and "Fair Expectation of Success"**

In *Gedeon Richter plc v Bayer Schering Pharma AG* [2011] EWHC 583 (Pat), Gedeon Richter plc applied to have two divisional patents belonging to Bayer Schering Pharma AG revoked for invalidity (the '301 and '069 patents). One of the grounds of invalidity was that the patents were obvious in respect of four items of prior art.

The patents were for the combination of two steroidal hormones, ethinylestradiol (EE) and drospirenone (DSP), both of which regulate the female menstrual cycle and are used as a contraceptive. Both patents under examination were aimed at finding an effective and safe formulation of the hormones in the development of an oral contraceptive pill. They were directed towards a skilled formulation team working specifically in the area of the development of oral contraceptives.

Both sides in this case were agreed that there was nothing inventive *per se* in embarking on in vitro pre-formulation testing to determine the physico-chemical characteristics of the ingredients concerned. Such tests would be performed in ignorance of the results of the testing and in ignorance of whether any particular formulation strategy would have a fair expectation of success. But they would nevertheless be an obvious thing to do. They were said to be obvious because the evidence showed that the skilled person would do them anyway, as part of his routine work. The question was, however, how would the skilled person proceed after having undertaken such obvious tests? This question would, Floyd J said, involve more in the way of a value judgment. Further, he said, the mere fact that such further steps could be characterised as being performed in order to make an informed decision did not prevent those steps necessarily from contributing to a finding of inventiveness.

Floyd J summarised the case law on obviousness and looked also at the "obvious to try" test.

"Where, therefore, the evidence reveals that to arrive at the invention, the skilled person has to embark on an experiment or series of experiments where there was no fair expectation of success, the conclusion will generally be that the invention was not obvious. Mr Thorley submitted that one had to distinguish between experiments which were conducted in order to make an informed decision as to what to do, and experiments which are conducted only because it is believed that they will produce the desired end result. The former type could be obvious experiments to do, notwithstanding that they were performed without any prior knowledge of the result, or whether the result would predict a successful outcome of the whole project. There was an independent motive for driving the project forward, namely to find out whether a solution to the problem was possible."

Further, in Floyd J's view, there was no general rule: the guiding principle must be that one has to look at each putative step that the skilled person is required to take and decide whether it is obvious. Even then, he said, one has to step back and ask an overall question as to whether the step by step analysis, performed after the event, may not in fact prove to be unrealistic or driven by hindsight.

The expert witnesses differed in their analysis of what steps the skilled person would take after having undertaken the *in vitro* tests to determine the rate of dissolution in an acidic environment. The expert witness for the Defendant said that he would take the results of dissolution to mean that an enteric coat (a layer added to oral medications to allow the active ingredient to pass through the stomach and be absorbed in the intestine) needed to be adopted and that he would not take an immediate release formulation (*i.e.,* an uncoated ingredient) into animal trials. The expert witness for the Claimant said, however, that he thought it would be prudent to proceed to an animal model to assess the relative merits of both an uncoated *and* a coated formulation.

Floyd J was not able to conclude that it would be routine to do animal tests on an uncoated formulation. It would, he said, be a matter for the skilled judgment of the formulator. Therefore, it was not, in Floyd J's view, obvious on the basis of the information acquired by *in vitro* testing. Further, it would not be a step that the skilled person would be able to take with the necessary "fair expectation of success". The skilled formulator would have well in mind, he said, that success in this field included near certainty of efficacy in all patients. The difficulties likely to be encountered if the drug were allowed to pass unprotected into and through the stomach would not, therefore, be productive of confidence.

However, while claim 1 of the '301 patent and claim 6 of the '069 patents were not found to be obvious, Floyd J found that the two claims that set out the steps taken to improve the rate of dissolution by surface coating inert particles with DSP or by spraying were obvious. Floyd J found that it *would* be obvious to a skilled person to surface coat inert particles in order to achieve a better dissolution rate. As for spraying, this was found to be part of the common general knowledge for achieving rapid dissolution of a poorly soluble ingredient. Therefore, these claims were both found to lack inventive step.

COPYRIGHT AND DATABASE RIGHT

Football Dataco Ltd v Sportradar GmbH: Copyright and Database Right Infringement and Jurisdiction

Allowing Sportradar's appeal in part, the Court of Appeal of England and Wales has ruled that Dataco's copyright claim in relation to a database of football statistics failed because what was allegedly copied was "mere data", not the database itself. Lord Justice Jacob, however, dismissed Sportradar's appeal on jurisdiction over database right infringement claims insofar as they were based on allegations that Sportradar were joint tortfeasors with its UK customers. Further and most significantly, on the question of primary infringement by Sportradar of Dataco's database rights, Jacob LJ has decided to refer the reutilisation issue to the Court of Justice of the European Union (CJEU).

BACKGROUND

Dataco creates and exploits data relating to football matches in the English and Scottish leagues. Sportradar provides live scores, results and other statistics relating to football and other sports, including UK football matches, to the public *via* the internet. A number of Sportradar's customers provide betting services for and aimed at the UK market. In *Football Dataco Ltd and others v Sportradar GmbH and another* [2010] EWHC 2911 (Ch) Dataco argued that Sportradar copies data from Dataco.

Sportradar denied copying and commenced proceedings against Dataco in Germany, seeking declarations that its activities did not infringe Dataco's rights. Sportradar contended that the English proceedings did not disclose a "good arguable case" against the company and so the German court is the court first seised with the dispute.

DECISION

Copyright Claim

Jacob LJ accepted Sportradar's submission that the data alleged to have been copied (goals, goal scorers, *etc.,*) were matters of fact that were precluded from copyright protection as mere "contents" of a database. It followed, therefore, that when the proceedings started, the English court was not seised of a claim in copyright to the necessary standard.

Database Right: Joint Tortfeasorship

The issue here was not subsistence of database rights but whether Dataco's claim identified properly any cause of action justiciable in the English courts.

Jacob LJ agreed with Dataco's submissions, finding that the English courts were first seised of the dispute insofar as Dataco's claim alleged that Sportradar was joint tortfeasor with businesses in the United Kingdom over which the court had jurisdiction. If Dataco was right about copying, it was arguable clearly that Sportradar and its customers were acting in concert to enable access in the United Kingdom to the copied data.

Database Right: Primary Infringement

On the question of primary infringement, Jacob LJ decided to refer to the CJEU questions on the meaning of "reutilisation" under Article 7.2 of the Database Directive (96/9/EC). Dataco's claim of primary infringement by Sportradar turned on the definition of infringement in the Directive, which includes transmission.

Transmission over the internet, in Dataco's submission, involves both the acts of hosting the website and also the act of the user in accessing it. Sportradar's case is that acts of transmission occur only in the place from where the data emanates. Jacob LJ decided that "this very important and difficult question" should be referred to the CJEU.

COMMENT

Dataco's claim that Sportradar is directly liable for breach of database right is now stayed pending the outcome of the reference to the CJEU, whilst its claim in joint tortfeasorship, which is not dependent on the questions asked, is allowed to proceed. Given the far reaching consequences of a decision that transmission can "occur" where the user accesses the information, the CJEU's view is eagerly anticipated.

TRADE MARKS

Annette Campbell and Bente Zaber v Catherine Hughes (IAN ADAM): **Name of Recently Deceased Famous Individual and Bad Faith**

Overturning the decision of a hearing officer of the UK Intellectual Property Office, Geoffrey Hobbs QC has held that an application to register the name of the well known deceased voice coach Ian Adam by his former business associate had been made in bad faith (*Annette Campbell and Bente Zaber v Catherine Hughes (IAN ADAM)* [2011] BL O-094-11).

BACKGROUND

Catherine Hughes, an assistant to Mr Adam, provided voice training services to clients at his studio, often standing in for Mr Adam. Shortly after Mr Adam's death, Ms Hughes applied to register the name IAN ADAM as a UK trade mark in Class 41 covering, "Education; providing of training, voice training, voice coaching; voice lessons; entertainment; sporting and cultural activities".

The application was opposed by Annette Campbell—Mr Adam's niece—and Bente Zaber—a former business partner of Mr Adam—on various grounds, including that the application had been made by Ms Hughes in bad faith under Section3(6) of the Trade Marks Act 1994. The Section3(6) claim was the only point on which the appeal was based.

DECISION

Mr Hobbs QC found that the only living relatives of Mr Adam were Annette Campbell and her four brothers and that Mr Adam had died intestate and in debt. According to the Administration of Estates Act 1925, Mr Adam's real and personal estate would have vested in the Public Trustee until the grant of administration. Any residuary estate would have belonged to the Crown as *bona vacantia*. Therefore neither party actually had any entitlement, legal or beneficial, to any assets of Ian Adam's estate.

The estate comprised the goodwill in the business that Ms Hughes referred to as the Ian Adam Song Studio. Mr Hobbs QC said that by filing the application for the IAN ADAM trade mark, Ms Hughes had sought to secure the goodwill of the Ian Adam Song Studio for herself as sole successor in business. The question was whether this amounted to "bad faith" under Section3(6) of the 1994 Act.

Mr Hobbs QC said that the line separating legitimate self-interest from bad faith is only crossed if an applicant has sought to acquire rights of control over the use of the sign in an improper manner or for an improper purpose. To assess this, all factors relevant to the case must be taken into account, including the intention of the applicant at the time of filing.

Mr Hobbs QC found that, on the death of Mr Adams, Ms Hughes had clearly decided to "Step into his shoes so far as she could by continuing to operate the business…". The evidence showed that it was "more probable than not" that Ms Hughes realised that the business and associated goodwill and reputation were assets of Mr Adam's estate. Ms Hughes had indeed sought, for her own benefit, to exclude the surviving goodwill and reputation attaching to the name IAN ADAM from the estate that she was purporting to administer when she filed the trade mark application. The application had therefore been made for an improper purpose, rendering it objectionable on the ground of bad faith under Section3(6). Mr Hobbs QC rejected the application for all the services specified, other than "sporting activities", as he had no reason to believe that use of the mark in relation to "sporting activities" would capitalise on the goodwill and reputation belonging to the estate.

COMMENT

The argument before the hearing officer had largely been based on guidance in The Work Manual published by the Trade Mark Registry which provides that "Where third parties apply to register the name of a famous individual or a recently deceased famous individual an objection under Section 3(6) of the Act may be appropriate". The opponents argued that Mr Adam was a "famous individual". The hearing officer had decided that the guidance was really directed at situations such as when Princess Diana and Elvis Presley had died and people had tried to cash in on their name. Although Mr Adam had a strong reputation as a voice coach, the hearing officer had hesitated to say that he would have been regarded as famous. While this was not part of the appeal, Mr Hobbs QC noted that there was

…No wooden rule to the effect that any application to register the name of a deceased celebrity must always or necessarily be objectionable on the ground of bad faith. The issues raised by that objection are fact sensitive and case specific.

P Ferrero SpA v OHIM: **Trade Mark Reputation and Existence Irrelevant in Assessing Likelihood of Confusion**

In *Ferrero SpA v Office of Harmonisation in the Internal Market, Tirol Milch reg.Gen.mbH, Innsbruck*, [2011] C-552/09, the Court of Justice of the European Union (CJEU) has upheld a decision of the EU General Court (EGC) rejecting Ferrero's invalidity action based on Ferrero's earlier trade marks for KINDER against a figurative Community trade mark (CTM) incorporating the words TiMi KINDERJOGHURT.

BACKGROUND

In 1998, Tirol Milch filed a figurative CTM application for a sign incorporating the words TiMi KINDERJOGHURT covering yoghurt and related goods in Class 29.

Ferrero brought an opposition based on its earlier word mark for KINDER, registered for a range of confectionary products in Class 30. The opposition failed on the basis that the marks were insufficiently similar. Following registration of the mark, Ferrero brought cancellation proceedings before the Cancellation Division of the Office for Harmonisation in the Internal Market (OHIM) which were successful at first instance. The Board of Appeal overturned this decision and Ferrero appealed to the EGC, arguing that the similarity of the marks and goods gave rise to a likelihood of confusion and infringement under Article 8(1)(b) of the CTM Regulation (40/94/EEC, now replaced by 2009/207/EC). Ferrero also argued that the KINDER mark was a well-known mark and that the TiMi KINDERJOGHURT registration took unfair advantage of, or damaged, its reputation or distinctive character without due cause under Article 8(5).

DECISION

The EGC held that notwithstanding the fact that the word "kinder" was present in both of the signs, there were a number of visual and phonetic differences that precluded the signs from being perceived as similar. It found that even if the reputation of the earlier mark and the similarity of the goods could be taken into account in assessing the likelihood of confusion, this did not affect the assessment of the similarity of the signs. Ferrero appealed to the CJEU.

The CJEU rejected Ferrero's appeal holding that the existence of a similarity between the earlier mark and the challenged mark was a precondition for the application of both Article 8(1)(b) and Article 8(5). The existence of a likelihood of confusion had to be assessed globally, taking into account all the factors relevant to the case, which included not only the similarity between the conflicting marks but also the strength of the earlier mark's reputation. However, the reputation and distinctive character of the marks were relevant for the purposes of assessing, not whether the marks at issue are similar, but whether the relevant section of the public makes a link between them.

The global assessment of the existence of a link between the earlier mark and challenged mark under Article 8(5) implied some interdependence between the relevant factors. A low degree of similarity between the marks could therefore be offset by the strong distinctive character of the earlier mark. The reputation or recognition of the KINDER mark and the fact that the goods covered by the respective marks were identical or similar was not, however, sufficient to establish a likelihood of confusion or that the relevant public made a link between them. In order for Article 8(1)(b) or Article 8(5) to apply, the marks had to be identical or similar. Accordingly, the provisions did not apply here where the EGC had ruled that the marks were not similar.

The CJEU noted that it was settled case law that the existence of a "family" or "series" of trade marks was an element that needed to be taken into account for the purposes of assessing the likelihood of confusion. However, that was irrelevant for the purposes of assessing the existence of a similarity between the earlier mark and the challenged mark. It would only become relevant once similarity between the marks had been found. Consequently, the CJEU held that the EGC did not err in law as it found a number of visual and phonetic differences between the marks at issue that precluded them from being similar.

CONFIDENTIAL INFORMATION

Andrew Gray v News Group Newspapers Ltd: Privilege Against Self-Incrimination and Scope of the "Intellectual Property" Exception

In *Andrew Gray v News Group Newspapers and Mulcaire* [2010] EWHC 2893 (Ch), an action for misuse of confidential information and invasion of privacy brought by Andrew Gray (former football commentator) and Stephen Coogan (well-known comedian), Mr Mulcaire refused to disclose certain information, arguing that he was protected from supplying evidence that might lead to self-incrimination. Mr Gray and Mr Coogan both applied to the High Court, requesting interim declarations that Mr Mulcaire was, in fact, unable to rely on the privilege against self-incrimination because of the nature of the proceedings and Section 72 of the Senior Courts Act 1981.

Section 72 states that a person shall not be excused from answering questions that might incriminate him in proceedings for "infringement of rights pertaining to any intellectual property or for passing off". "Intellectual property" is defined as any "patent, trade mark, copyright, design right, registered design right, technical or commercial information or other intellectual property".

Vos J took a purposive approach to the construction of Section72. He said that he had little doubt that Parliament had intended to remove the privilege where the action was a claim to protect commercially confidential information, as much as where it concerned the infringement of traditional kinds of intellectual property. He rejected Mr Mulcaire's argument that it had to be intellectual property itself, as that would be too narrow an interpretation and, further, there was no limitation of that kind implied from the words of the legislation.

The judge took the view that by including the phrase "technical and commercial information" in the statute, Parliament had deliberately expanded the meaning of "intellectual property". He noted that the law of confidential information was a particular and developing area and that it was sometimes convenient to regard actions brought to protect commercially confidential information, know-how, trade secrets and the like as intellectual property claims. When Parliament has said expressly that "technical and commercial information" should be regarded as a species of "intellectual property" for the purpose of the partial abrogation of the privilege, he said, "It seems to me that the courts should not construe the term almost completely out of existence".

The judge found that "technical or commercial information" was limited to "protectable" technical or commercial information, *i.e.,* technical or commercial information that could be protected by an action in law. This qualification arose, he said, because the types of "intellectual property" were only defined in order to identify which kinds of proceedings were covered by the section and, in particular, which kinds of proceedings were to be regarded as "proceedings for infringement of rights pertaining to any intellectual property". In the judge's own words, "Plainly only 'technical or commercial information' that is confidential and can be protected by an action for breach of confidence or breach of contract or breach of another duty can be covered by Section 72".

The information in issue was contained in voicemail messages. The Judge found that the kind of information likely to have been in both Mr Gray's and Mr Coogan's voicemail boxes included confidential commercial information that was protectable by an action for breach of confidence. Mr Mulcaire could therefore not rely upon the privilege of self-incrimination.

It should be noted that in similar proceedings, *Nicola Phillips v Glen Mulcaire* [2010] EWHC 2952 (Ch), Mann J has also held that Mr Mulcaire was not able to rely on the privilege of self-incrimination. However, in this case, Mann J gave permission to appeal his decision. It is likely that the Defendants in *Andrew Gray v News Group Newspapers and Mulcaire* will ask the Court of Appeal to hear an appeal from Vos J's decision at the same time.

DATA PROTECTION

"Your data, your rights: Safeguarding your privacy in a connected world": The Four Pillars of Data Protection Reform

In a speech entitled "Your data, your rights: Safeguarding your privacy in a connected world" delivered on 16 March 2010 to the EU Privacy Platform, Vice-President of the European Commission Viviane Reding outlined strict privacy rules for personal data held on the internet. Commissioner Reding called for an overhaul of the current Data Protection Directive (95/46/EC) to be based on "four pillars": 1) the right to be forgotten, 2) transparency, 3) privacy by default, and 4) protection regardless of data location. As regards the fourth, Commissioner Reding sounded a warning that the new data protection regime would seek to impose EU privacy standards on non-EU organisations, including social networking services, that process data on EU citizens, regardless of where such services are based and the processing takes place. With regard to the application of EU law, the speech echoes recommendations made by the Article 29 Working Party in its December 2010 Opinion on applicable law in relation to determining applicability of EU law to non-EU entities according to the targeting of services at EU consumers.

BACKGROUND

In 2009, the European Commission announced a review of the Data Protection Directive including a public consultation, which began in November 2010 with a Communication entitled "A comprehensive approach on personal data protection in the European Union".

The Commission, like the UK's Information Commissioner's Office (ICO), which undertook its own review almost in parallel, accepted that the Directive is a reference model for good practice: it improves awareness of data protection issues, it harmonises the core data protection principles, and it is flexible. The Commission also echoed the ICO's concerns over whether the framework in its current form can bear the strain of technological change and evolving business models. Much of that strain has resulted from the success of social networking sites, which have become a major cause of privacy concerns because of the amount of information that is shared on user profiles. The growth of cloud computing also represents a major shift in how data is stored. Whatever the benefits of cloud computing, users have no control over how and where their information is stored "in the cloud".

THE FOUR PILLARS

The Right to be Forgotten

Data subjects will have the right, as opposed to just the "possibility", to withdraw their consent to data processing. The burden of proof will be on data controllers to show that they need to keep data rather than individuals having to prove that collecting their data is not necessary.

Transparency

Individuals must be informed about what data are collected, for what purposes and how that data might be used by third parties. They must be clear as to their rights and what authority to address if those rights are violated. Risks associated with the processing of their personal data must be made clear to them so that they don't lose control over their data and their data is not misused.

Privacy by Default

Privacy by default would remove the considerable operational effort often required to control one's personal information. Currently privacy settings are not a reliable indication of consumers' consent and may actually negate the consent they seek to rely on. Commissioner Reding's position is clear: "The use of data for any other purposes than those specified should only be allowed with the explicit consent of the user or if another reason for lawful processing exists".

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Protection Regardless of Data Location

Homogeneous privacy standards for European citizens will apply regardless of where in the world their data is being processed, the geographical location of the service provider, and the technical means used to provide the service. Any company operating in the European Union or any online product that is targeted at EU consumers would have to comply with EU rules. A US-based social network company that has millions of active users in Europe would therefore have to comply with EU rules.

SCOPE AND ENFORCEMENT

Commissioner Reding noted that the national regulatory authorities (NRAs) in the 27 EU Member States should be empowered to take action against non-EU data controllers whose services target EU consumers. Additionally, cooperation between NRAs in different Member States needs to be improved so that cases with a clear cross-border European dimension can be dealt with in a consistent and effective way.

Commissioner Reding did address concerns over the scope of the new regime. For example, notwithstanding the fact that storage of data is already included in the broad definition of "processing", she acknowledges a need to make clear that data protection rules also apply to data retention.

COMMENT

The Commissioner's position follows a path that is now becoming well-trodden by those looking to reform the EU data protection regime. Greater focus is being given to individual protection and control and for those outside the EU the long reach provisions may give cause for concern. The EU privacy benchmark may be going global.

COMMERCIAL

OFT Market Study on Consumer Contracts

The market study by the Office of Fair Trading (OFT) on consumer contracts has considered the evidence on consumer problems with contracts. The report of the study sets out a framework for assessing harm from consumer contract terms, identifies how the existing legislation addresses those harms, and outlines contract problems of most concern to the OFT.

The report establishes that 20 per cent of the people polled had experienced problems with contracts in the last year. It was clear that younger people and those who had bought from telephone salespersons experienced the most problems. The OFT's research shows that most people do not read contracts in full, focusing on headline elements such as the price. Those who do read contracts are less likely than others to encounter problems. Although the OFT found that most consumers attempted to understand contracts in ways other than by reading the small print, none of these factors reduced significantly the probability of a problem arising.

Importantly, the report sets out the framework of how the OFT will assess harm from consumer contract terms. At its core is the OFT's policy on small print. The report states that most consumers will have some expectation of what the small print says and that there should be nothing in the small print significantly out of line with that expectation. To be persuaded that a term was not a surprise, the OFT would need to be convinced that consumers were fully aware of the term and had consciously agreed to it. The report notes that consumers are likely to expect traders to make money on the main deal, rather than to profit from small print terms. The solution suggested by the OFT is not rocket science; simply put: don't bury the bad news. Where a small print term worsens the deal for consumers, the report recommends that traders should consider bringing these terms to consumers' attention.

The report also considers how it can use existing consumer law, specifically the Unfair Terms in Consumer Contracts Regulations 1999/2083 (UTCCRs) and the Consumer Protection from Unfair Trading Regulations 2008/1277 (CPRs), to protect consumers from the harms that it has identified. The OFT uses the Report as a reminder that the UTCCRs contain a fairness test to standard term contracts and a transparency test, which focuses more broadly on clarity of language. If the OFT considers that a standard term fails either of these tests, it has the power to secure an undertaking from the trader to amend or stop using the term. If it does not secure the compliance of the trader, it can bring court proceedings. The report concludes that, broadly speaking, the UTCCRs provide good protection for consumers from unfair contract terms and from "nasty surprises" in the small print. It notes that the CPRs also protect consumers from misleading acts or omissions, aggressive commercial practices, and contain a blacklist of practices that will be considered unfair in all circumstances.

The final section of the report is devoted to terms that cause the OFT particular concern in relation to consumer contracts. It identifies these as: terms setting the scope of contract subject matter (*e.g.,* where there can be a discrepancy between the consumer's perception of the deal and the reality, such as where a car hire contract included liability for the whole vehicle if it was stolen and the consumer lost the keys); terms covering risks to contract delivery (*e.g.,* issues such as transport companies limiting liabilities for cancellations); "remote charges" (*e.g.,* any contract prices that consumers may not expect or take on board); and terms covering cancellation and switching (such as unfair notice periods, cancellation fees and rollover terms).

In summary, the report intends to give businesses a "Systematic … approach to considering how consumer harm may arise from specific contract terms".

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MEPs Give European Parliament Mandate to Agree Draft Consumer Rights Directive: Distance Sales and Off-Premises Sales

At the Brussels plenary session on 23 and 24 March, the European Parliament backed proposed amendments to the draft Consumer Rights Directive, strengthening consumer rights in distance sales and off-premises sales. The Directive was proposed by the European Commission in October 2008. Its aim was to consolidate and strengthen existing consumer rights legislation and make it easier for consumers to shop cross-border, in particular over the internet. The proposals have stumbled on a number of issues since introduction, in particular the degree of harmonisation that is achievable. The backing of the MEPs gives the European Parliament a mandate to start negotiations with the Council and the Commission to produce an agreed draft, which would then be put to a final vote in the European Parliament, possibly in June or July.

The current rules on distance selling are fragmented, in particular in relation to cooling-off periods and consumer rights on withdrawal from a transaction. It is a long time since the Distance Selling Directive (97/7/EC) and the Doorstop Selling Directive (85/577/EEC) were negotiated and consumer behaviour as well as business practices have changed significantly. The result is legal uncertainty for business and consumers, which hinders cross-border commerce. The proposed amendments should, MEPs said, strengthen significantly consumer rights, especially as regards delivery of goods and withdrawal from contracts, whist also clarifying rules on digital downloads and cutting red tape for small and medium-sized businesses.

MEPs highlight the following key benefits to consumers under the proposed amendments:

- Extending the withdrawal period for consumers to 14 calendar days (from the current seven days)
- Giving consumers the right to be reimbursed, including the costs of delivery, without undue delay and within 14 days if the consumer chooses to withdraw from the transaction
- Obliging the trader to bear the risk of damage to goods in transit until the consumer takes possession
- Giving consumers the right to withdraw in respect of solicited visits, *e.g.,* when a trader telephones a consumer and presses the consumer to agree to a visit. There will no longer be a distinction between solicited and unsolicited visits to prevent circumvention of the rules
- For off-premises contracts, the withdrawal period will start from the moment the consumer receives the goods, rather than at the time of conclusion of the contract, as is currently the case.

MEPs also say that the new rules will close a gap in existing EU legislation, by extending the consumer's right of withdrawal to home party sales and on-line auctions (*i.e.,* commercial, not private, sales). The right of withdrawal will not apply to digital goods (*i.e.,* films, or software programmes). Rather, the sale will be considered to have been concluded at the start of downloading.

It is said that businesses should benefit from the legal certainty that comes from having a single set of rules for distance and off-premises contracts in the European Union, creating a level playing field and reducing transaction costs for cross-border traders.

AXA Sun Life Services plc v Campbell Martin Ltd: Effectiveness of Entire Agreement Clause and Exclusion of Set-Off Clause

In *AXA Sun Life Services plc v Campbell Martin Ltd* [2011] EWCA Civ 133, AXA brought four claims in relation to the standard contracts it had entered into with its appointed representatives. The four contractual clauses to be considered by the Court of Appeal of England and Wales were: (i) the "entire agreement" clause, (ii) the "exclusion of set-off" clause, (iii) the "conclusive evidence" clause, and (iv) the requirement of reasonableness of the clauses under the Unfair Contract Terms Act (UCTA) 1977. AXA asked the Court to rule on whether an entire agreement clause prevented the Respondents from bringing claims based on alleged misrepresentations, breach of collateral warranties, and/or implied terms, whilst also addressing issues raised by certain other clauses.

ENTIRE AGREEMENT

The Court considered whether the entire agreement clause precluded the Respondents from alleging that AXA made non-fraudulent representations, or alleging the existence of any collateral warranties and/or implied terms. It was held that as the entire agreement clause in question consisted of a basic entire agreement statement, the clause was ineffective to exclude misrepresentations. It also failed to exclude terms being implied to give the contract business efficacy, but it successfully excluded collateral warranties and other implied terms.

EXCLUSION OF SET-OFF CLAUSE

The Court ascertained whether the set-off clause would stop the Respondents from claiming set-off in respect of monies counterclaimed against AXA. Stanley Burnton LJ, giving the leading judgment, concluded that a clause in business-to-business standard terms excluding a party's right to exercise any right of set-off may be available to the party seeking to rely on the clause. However, the clause would be subject to the UCTA reasonableness test.

CONCLUSIVE EVIDENCE CLAUSE

The conclusive evidence clause did not prevent the Court from determining the correct amount due to be paid by the

Respondents under the contract, in the absence of manifest error. The conclusive evidence clause was unenforceable as the aforementioned misrepresentations rendered the entire agreement unenforceable.

UNFAIR CONTRACT TERMS ACT 1977

The Court held that the UCTA applies to entire agreement statements, as well as other elements of the contracts. As a pre-contractual representation or promise might affect the performance reasonably expected of a party, the entire agreement clause in this case would be subject to the UCTA reasonableness test in relation both to collateral warranties and to representations.

It was noted that, had AXA included express exclusion terms, these could have been effective to exclude terms that would otherwise be implied into a contract to give it business efficacy.

Bribery Act 2010 Commencement, Interpretation and Guidance

The Bribery Act 2010 comes into force on 1 July 2011. The UK Government has published guidance to help organisations understand the legislation and deal with practical issues that may arise. The Act creates offences of, *inter alia*: (i) offering or receiving bribes, (ii) bribing foreign public officials, and (iii) commercial organisations failing to prevent a bribe being paid on that organisation's behalf. The aim of the Act is to tame corruption and update current domestic legislation.

HOSPITALITY

Hospitality to improve a commercial organisation's image or establish good relations is an "Important part of doing business and it is not the intention of the Act to criminalise such behaviour". Under the Act, however, it is an offence for a person to offer, promise or give a financial or other advantage to another person where it is intended that the advantage will bring about the "improper performance" by that other person. "Improper performance" means performance amounting to a breach of expectation that a person will act in good faith, impartially, or in accordance with a position of trust. The test is what a reasonable person would expect, taking into account the norms of the sector concerned.

The argument that "this expenditure on hospitality or promotion is normal for our sector" does not mean that no offence has been committed as the expenditure will not be the only consideration in determining whether an offence has been committed. However, the absence of further evidence demonstrating the required connection is unlikely to suggest that it was intended to have a direct impact on decision making, particularly where such hospitality is proportionate with the norms for the particular industry.

CORPORATE RESPONSIBILITY

Having adequate procedures to prevent bribery will give businesses a full defence against liability arising from bribery being committed by one of its officers. Such measures should be informed by the following non-prescriptive principles.

- Proportional (in relation to the size of the business) procedures in place to prevent bribery
- Top-level commitment to preventing bribery and fostering a culture in which bribery is never acceptable
- Periodic risk assessments
- Due diligence to mitigate identified bribery risks
- Bribery prevention policies and procedures embedded in and understood throughout the organisation through communication and training
- A policy of regular monitoring and review of bribery prevention procedures and initiation of improvements where necessary.

These measures allow for a wide variety of circumstances that commercial organisations may encounter.

ADVERTISING AND MARKETING

Kingspan Group plc v Rockwool Ltd: Unfair Comparative Advertising and Brand Denigration

THE MISREPRESENTATIONS

In *Kingspan Group plc v Rockwool Ltd* [2011] EWHC 250 (Ch), the Claimant alleged, amongst other things, that the Defendant had represented during roadshows that "The tests showed Kingspan's products are dangerous when properly installed and used for their intended purpose". This representation was disputed by Rockwool. The judge found that the Defendant had falsely made all of the representations alleged except for one (which he said was of little consequence).

The judge also found that all the specific representations in the Defendant's videos as alleged by the Claimant *had* been made and were false, stating: "I believe that the videos each give a misleading impression as to the contribution to fire that Kingspan's products will make when properly installed."

TRADE MARK INFRINGEMENT

Applying the Misleading and Comparative Advertising Directive (2006/114/EC), the judge found that the videos and the roadshows were misleading and failed objectively to compare one or more material, relevant, verifiable and representative features of the parties' products. The judge also found that the videos and roadshows had, without due cause, taken unfair advantage of and caused detriment to the repute of the Defendant's trade marks and had discredited and denigrated their products. The judge therefore found trade mark infringement.

MALICIOUS FALSEHOOD

The judge found that, despite the misleading nature of the material and the fact that the Defendant had intended to devise and pursue a promotional campaign that promoted its own products at the Claimant's expense, it had done so in good faith as it never actually believed the material to be misleading. Further, the Defendant was not indifferent as to whether the material was misleading. Overall, he said, Rockwool had not acted from any improper motive. Therefore malice had not been established and the Claimant's claim for malicious falsehood failed.

E-COMMERCE, IT AND BANKING TECHNOLOGY

Pierre-Fabre Dermo-Cosmétique v Président de l'Autorité de la Concurrence: Selective Distribution and Restrictions on Internet Sales

On a reference to the Court of Justice of the European Union (CJEU) by the Paris Court of Appeal, Advocate General Ján Mazák has given an Opinion stating that an absolute refusal to allow distributors to sell products on the internet would appear to be disproportionate and a "hardcore restriction". However, the Claimant may be able to benefit from an *individual* exemption pursuant to Article 81(3) EC (now 101(3) TFEU).

BACKGROUND

Pierre-Fabre Dermo-Cosmétique manufactures various ranges of cosmetic and personal care products. Its French distribution contracts for certain of its brands included a clause that required that all sales must be made in a physical space. This clause restricted effectively all forms of selling *via* the internet.

In October 2008, the French Competition Board decided that by banning effectively all internet sales, the company's distribution agreements were anti-competitive and infringed the French Commercial Code as well as EU competition law.

The company challenged the Board's decision before the Paris Court of Appeal, which referred the case to the CJEU, asking: a) whether the general and absolute ban on internet sales did indeed constitute a "hardcore restriction" (as set out in the Vertical Agreements Block Exemption Regulation (2790/1999/EC)), b) whether the agreements could benefit from a block exemption, and c) whether it would be eligible for an individual exemption under Article 81(3) EC.

OPINION

Advocate General Ján Mazák's Opinion is that a general and absolute ban on selling *via* the internet in the context of a selective distribution network, which goes beyond what is objectively necessary in order to distribute goods in an appropriate manner in light of their material qualities, aura and image, has the object of restricting competition and falls within the scope of Article 81(1) of the EC Treaty.

Whilst the Advocate General accepted that cosmetic and personal care products were, in principle, appropriate for a selective distribution agreement, the national court still had to make the appropriate examinations into whether the company's actions were proportionate. Further, he said, given that the company could impose appropriate, reasonable and non-discriminatory conditions on internet sales in order to protect the image of the products, a general and absolute ban could only be proportionate in "very exceptional circumstances".

In the Advocate General's Opinion, an absolute ban such as this was a "hardcore restriction" as it restricted both active and passive sales by preventing use of a modern communicating and marketing tool. As a "hardcore restriction", such a ban could not be eligible for exemption.

As for an individual exemption under Article 81(3), the Advocate General said that it was for the referring court to determine whether the agreements in question fulfilled the four criteria contained in that provision in order to qualify.

GENERAL

Jones v Kaney: The UK Supreme Court Abolishes Immunity From Suit for Expert Witnesses.

A key argument of the Defendant (an expert witness) in *Jones v Kaney* [2011] UKSC 13 was that abolishing immunity would discourage experts from giving evidence at all and it would make it difficult for experts to give honest opinions that went against their client's case for fear of being sued. In other words, experts would not be able to fulfil their primary duty to the court. Further, she argued, expert witnesses needed to be protected if they changed their opinion at some point during proceedings. Further, the majority of cases do not even reach trial, so, the Defendant argued, experts should be immune from suit in relation to opinions given in anticipation of court proceedings as well as in the actual court proceedings themselves. The Defendant also argued that abolishing immunity would lead to a proliferation of vexatious claims against expert witnesses.

The Court held (by majority decision) that there was no justification for the assumption that expert witnesses would be discouraged from providing their services at all as, "All who provide professional services which involve a duty of care are at risk of being sued for breach of that duty". To mitigate the risk, it is customary to insure against it.

As for the expert's duties to the court and to his/her client, the Court held "It is paradoxical to postulate that in order to persuade an expert to perform the duty that he has undertaken to his client it is necessary to give him immunity from liability for breach of that duty". Further, when immunity from suit in respect of barristers was abolished, it had not resulted in any diminution of their willingness to perform their duties.

The Court held that vexatious claims against experts would be difficult to get off the ground and would involve instructing further experts to say that what the defendant expert had said was unreasonable. Accordingly, the Court held that "immunity from suit for breach of duty that expert witnesses have enjoyed in relation to their participation in legal proceedings should be abolished". The Court emphasised, however, that the finding did not apply to the absolute privilege witnesses enjoy in respect of claims in defamation being made against them in respect of what is said in court.

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