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Legal and Regulatory Update

This section of the Journal looks at marketing, data protection, technology and e-commerce issues, providing an overview of recent key legal developments in these areas.

Trade marks: ECJ rules on Adidas three stripes trade mark

Tamara Quinn

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Use of similar logos

The ECJ has issued a ruling on the long-running case involving Adidas and some of its competitors who had been using two-stripe motifs similar to its famous three-stripe logo.

Adidas, which owns registered trade marks for various stripe motifs, sought an injunction from a Dutch court to prevent a number of retailers, including H&M, from using two-stripe designs on clothing. Adidas brought the claim under the Trade Marks Directive, which has provisions allowing trademark owners to prevent use by third parties even if the public is not 'confused' into thinking that the third party's products are those of the trade mark owner.

Retailers' defence

In their defence, the retailers argued that certain generic signs such as stripe patterns were used purely decoratively and should be kept available for anyone to use.

ECJ ruling

The ECJ ruled that infringement of a well-known mark under the Articles 5(2) provisions is to be assessed on (i) whether or not the average consumer makes a connection with the well-known mark upon seeing a sign which is similar to it and (ii) whether or not such use takes 'unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark'. While the concept of keeping a mark 'available' may affect whether or not a mark should be registered, it is not a factor to be taken into account when assessing whether the mark has been infringed.

In addition, although a third party has a defence to an infringement claim if his use was required to describe a 'characteristic' of the goods concerned, use for decorative purposes, as the defendants had claimed, did not count as use to describe a characteristic and so was not within the scope of the defence.

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Brand ownership: New laws will strengthen brand owners' rights to challenge the use of 'similar' company names

Gavin Llewellyn

Use of 'similar' company names

Changes introduced by the Companies Act 2006 and due to come into force in October 2008 have widened the rights of brand owners to object to the use of company names that are too similar to their registered and unregistered trade marks.

The law, introduced by Section 69 of the new Companies Act, has extended the rights of brand owners beyond the protection provided by the Trade Marks Act and the common law tort of passing off to challenge a company's use of names that they consider to be too similar to their own brands. Passing off occurs when one business uses a brand name or a trading name in connection with its goods or services which is similar to that used by another business, such that the public is misled about the origin of those goods or services, resulting in damage to the original brand owner. There are also existing provisions allowing a company to challenge the registration of another company name, but these rights do not extend to brand names used by companies.

New complaints procedures

From October 2008, there will also be a simple procedure that enables businesses to complain to an adjudicator if a company is using a company name that is either:

- the same as a name associated with the brand owner in which it has goodwill (defined in the Companies Act 2006 as including 'reputation of any description') or
- sufficiently similar to such a name that its use in the United Kingdom would be likely to mislead by suggesting a connection between the company and the brand owner.

Current Law vs. new legislation

Currently, in order to challenge companies' use of names that they consider too similar to their marks, brand owners must either rely on bringing an action for trademark infringement under the Trade Marks Act 1994 or (in the case of unregistered trademark owners in particular) pursue a common law claim for 'passing off'. There are potential difficulties with pursuing both of these routes. The new law means that registered trademark owners will no longer have to get over all of the hurdles required to prove trademark infringement and stop the company's use of a contested name. It also means that unregistered trade mark owners can use the new procedure as an alternative to bringing a claim for 'passing off', which requires the brand owner to

establish that confusion has occurred, or is very likely to do so, between the brand and the company name, leading the brand owner to suffer damage as a result. This can be difficult to prove. The new law merely requires the brand owner to show that the use of the name in the United Kingdom ‘would be likely to mislead by suggesting a connection between the company and the applicant’.

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Retail: The OFT’s web sweep of top retail websites

Ruth Badrick

Compliance with online shopping laws

The Office of Fair Trading (OFT) recently published the results of its web sweep of the UK’s top retail websites. The sweep was designed to assess the extent of compliance with online shopping laws and focussed on the rights provided by the Distance Selling Regulations and the Electronic Commerce Regulations.

Key findings

The sweep surveyed 439 sites where the retailer was based in the UK or another EU member state, and the key findings were as follows:

Contact details — Fourteen per cent of sites failed to provide a physical address or only provided a PO Box number. Thirty-four per cent failed to provide an email address, many instead providing only a web form for shoppers to complete. The regulations require sites to provide a geographic address and an email address.

Pricing transparency — On more than 50 per cent of sites, the final price charged was higher than the price initially quoted, as a result of a compulsory charge (such as delivery charges and VAT), and 40 per cent of sites did not make it clear to customers that additional charges would be added until the checkout stage. The regulations require a clear and unambiguous indication of prices and, in particular, whether the prices include taxes and delivery costs.

Cancellation rights — Fifteen per cent of sites failed to provide the required information on cancellation rights. The correct cancellation period is within seven days from the day after receipt of the goods and 13 per cent of sites were potentially in breach of this requirement.

Restrictions on cancellation refunds — Thirty-eight per cent of sites had potentially unreasonable restrictions on cancellation refunds, such as requiring the product to be returned in its original packaging or unused.

Full refunds — Over a third of sites failed to refund the full cost of returned goods, most frequently by not refunding the outward delivery charge. Shoppers have the right to a full refund of the costs

of goods or services (including delivery costs) within 30 days of cancellation.

Conclusions

Overall, it was estimated that the proportion of perfectly compliant sites was only 17 per cent. The OFT concluded that most large UK-based online retailers are complying with key consumer protection requirements, but that improvements could be made particularly in the provision of adequate contact details, and transparency in cancellation and refund rights.

Sanctions for non-compliance

The ultimate sanction for non-compliance with consumer protection requirements is an injunction, whereby the OFT can close an infringing website until the owners of the website demonstrate compliance with the regulations.

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Telecoms: Protecting customers from the mis-selling of mobile telecommunications services

Richard Risino

New Code of Practice

Ofcom has proposed a new mandatory Code of Practice on sales and marketing that will apply to all mobile telecommunications service providers.

Customer complaints to Ofcom

Since 2006, Ofcom has received a significant increase in the number of complaints regarding the mis-selling of mobile telecommunications services.

Complaints centre on customers being given false or misleading information when purchasing services. For example, they might find themselves with a new contract for services apparently without their knowledge or consent or are induced into contracts by cashback schemes, the conditions of which are so onerous that the claiming of the cashback sum is all but impossible.

Voluntary Code of Practice

A subsequent enquiry launched by Ofcom (consulting with five major service providers: 3, O2, Orange, T-Mobile and Vodafone) resulted in the introduction in July 2007 of a voluntary Code of Practice aimed at tackling misleading sales and marketing practices.

Following the introduction of the Code, service providers appear to have reviewed their sales and marketing practices and those of independent retailers employed to sell their services. However, there has been no reduction in the number of complaints. Ofcom believes the main problem with the Code was that it only succeeded in addressing the cashback problems rather than general mis-selling.

Aims of new mandatory code

Ofcom proposals

The new Code proposed by Ofcom aims, among other things, to ensure that service providers do not engage in dishonest, misleading or deceptive conduct and to ensure that those selling services on their behalf as independent retailers do not mis-sell.

While the new Code is intended to be an important intervention tool to protect consumers, it is to be proportionate and not intended to create any significant additional costs for service providers or independent retailers.

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Internet: Liability of search engine providers and advertisers for use of keywords in sponsored links

Ian De Freitas and Toby Headdon

Use of keyword for a sponsored link

Until recently, it has been unclear whether use of a keyword for a sponsored link could amount to trademark infringement. Advertisers could not be sure whether bidding for keywords that were the same as or similar to someone else's trade mark would land them in hot water and, similarly, trademark owners could not be sure whether they would be able to take action against such advertisers for trademark infringement. A recent High Court decision, however, suggests that it will be difficult for a trade mark owner to claim trademark infringement where an advertiser bids for keywords, that are the same as or similar to their trade mark to generate sponsored links. This will no doubt be welcomed by search engine providers and advertisers alike.

Facts of the case

The claimant in the case, Victor Wilson, ran a mobile catering business selling Afro-Caribbean/Halal food. He owned a Community Trade Mark for 'MR SPICY' registered in classes covering various food- and drink-related products and services. Mr Wilson brought a claim for trade mark infringement against Yahoo! UK Ltd because when he typed MR SPICY into Yahoo!'s search engine, sponsored links to Sainsbury's and Pricegrabber.com's websites appeared.

Yahoo! gave evidence that Sainsbury and Pricegrabber.com had not in fact bid for 'MR SPICY' as a keyword; they claimed only to have bid for keywords featuring the word 'spicy' and that this was sufficient

High Court judgement

for Yahoo!'s technology to trigger the sponsored links when the phrase 'Mr Spicy' was inputted by a user into the search engine.

In accepting Yahoo!'s evidence, the Court dismissed Mr Wilson's claims and granted them summary judgment stating that

- MR SPICY had not been used by Sainsbury, Pricegrabber.com or Yahoo! and had only been used by the user who typed it into Yahoo!'s search engine
- Yahoo!'s technology merely responded to the user's request and this response did not amount to use of MR SPICY by Yahoo!
- even if it was the case that there had been some use by Yahoo! they had only used the word 'spicy' and not MR SPICY
- even if it was the case that Yahoo! had used MR SPICY, it would not have counted as 'trademark use'. This is because Yahoo!'s use would not affect the function of MR SPICY as 'a badge of origin' of Mr Wilson's goods/services. Without 'trademark use' there could be no trade mark infringement.

Treat with caution

This decision should, however, be treated with some caution. Mr Wilson appeared without representation and thus it may be the case that his claims may not have been as thoroughly argued as if he had had some representation.

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Television: Modernised TV directive completes final hurdle

Usman Wahid

Keeping pace with technology

The Audiovisual Media Services Directive (AVMS) has been passed by the European Parliament. It is aimed at extending the former TV Without Frontiers Directive (TVWF) to keep pace with technological advances, particularly web-streamed television services.

Television on-demand is covered by the AVMS (although is not subject to the advertising restrictions), but the AVMS will not affect sites such as YouTube where the media service provider does not have effective control over both the selection of programmes and their organisation.

New advertising and product placement controls

In addition to modernising the TVWF, and reasserting some key European values (such as the country-of-origin principle), the AVMS introduces new controls at the level of advertising and product placement in television services.

To strengthen consumer protection, the AVMS limits the number of commercial breaks permitted for films, cinematographic works and news programmes to one every 30 min and places a cap of 12 min of advertisements every hour.

Product placement is also banned during current affairs programmes, documentaries and programmes providing advice. Where programmes contain product placement, clear signs must indicate the start and end of programmes as well as the end of commercial breaks.

One key concern addressed by the AVMS is the protection of minors:

- advertisements will only be permitted during children's programmes of over 30 min
- product placement during children's programmes will be prohibited
- member states will be required to encourage media service providers to develop a code of conduct towards children.

Implementation

Member states have been given up to two years for full implementation.

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Marketing: The Unfair Commercial Practices Directive and UK marketing law

Ben Wheeler

Treating consumers unfairly

What is the Unfair Commercial Practices Directive (UCPD)?

The UCPD harmonises unfair trading laws in all EU member states and introduces a general prohibition on traders treating consumers unfairly.

The Directive applies to all business sectors and its wide scope and flexible provisions are intended to help breach any gaps between existing EU and UK legislation, thus creating a safety net of consumer protection legislation.

Two new pieces of legislation

How does it affect UK marketing law?

The Government has recently introduced two new pieces of legislation; the Business Protection from Misleading Marketing Regulations 2008 (BPRs) and the Consumer Protection from Unfair Trading Regulations 2008 (CPRs). These new regulations implement the UCPD in the UK and aim to consolidate existing provisions while also providing for a consistent approach to consumer protection laws across the EU.

Impact of new regulations

What do the new regulations do?

The BPRs provide important protection for businesses in relation to misleading advertisements by competitors. Any advertising that either deceives or is likely to deceive the traders to which it is addressed, thus either affecting their economic behaviour or injuring a competitor, is prohibited.

The BPRs also outline various conditions that must be met in order for comparative advertising to be permitted and grant the relevant enforcement authorities investigative powers that range from making test purchases to entry of premises without a warrant where certain circumstances are met.

The CPRs have revoked large sections of the Trade Descriptions Act 1968 and introduced into UK law a new general duty not to trade unfairly. Schedule 1 to the CPRs lists 31 commercial practices that will be considered unfair in all circumstances, including, for example, the use of aggressive sales techniques.

From an Intellectual Property perspective, it is now also unfair to promote a product made by one manufacturer in such a way so as to deliberately mislead consumers into believing that it was made by a different manufacturer.

Civil and criminal sanctions

Enforcement and sanctions

Trading Standards Officers have been given a wide range of both criminal and civil enforcement powers such as prosecution and obtaining injunctions or undertakings. Powers of inspection and seizure of evidence remain unchanged, but in addition the OFT can also take direct enforcement action under the regulations.

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