

## Welcome to the third edition of **insight**

We thank you for your feedback on previous editions and welcome any comments you may have regarding this or future editions. Please let us know if there are any particular topics which you would like us to cover in future editions.

Articles in this edition include an overview of new consumer protection regulations covering misleading marketing and commercial practices, a review of some high profile court decisions involving Google, Yahoo! and eBay, and a look at incorporation of contractual standard terms and conditions. As well as taking a look at the newly formed Company Names Tribunal, **insight** also brings you our regular feature of Did You Know?

We would like to invite you to receive future **insight** briefings by email rather than in hard copy format. By registering for e-communications it will allow for the speedier delivery of communications and help us to reduce the impact of the business on the environment.

And finally, we have had our work cut out editing this edition due to the large volume of recent legal activity in this sector, so look out for the fourth edition of **insight**, which we will be circulating soon.

## Beware of Misleading Marketing and Commercial Practices

The Consumer Protection from Unfair Trading Regulations 2008 (CPR's) came into force in May 2008 and they represent the most significant change to consumer law for a long time.

CPR's affect transactions and commercial practices relating to any goods and services before, during or after a transaction, both from business to consumer and from business to business where the consumer is the ultimate customer.

Broadly, CPR's create a number of prohibitions, as follows:

1. A general prohibition on unfair trading – a commercial practice is deemed unfair if it contravenes the requirements of professional diligence and materially distorts the economic behaviour of the average consumer or is likely to do so. Note that in determining the characteristics of 'the average consumer' characteristics of the relevant target consumer (such as vulnerability) are taken into account.
2. A prohibition on misleading actions and omissions which cause or are likely to cause the average consumer to take a transactional decision he would not have otherwise taken. This may include

the provision of false information, deliberately concealing information or providing it in an ambiguous manner and confusing marketing practices.

3. A prohibition on aggressive commercial practices, such as using harassment, undue influence or coercion, which are likely to significantly impair the average consumer's freedom of choice and cause him to make a transactional decision which he may not otherwise have made.
4. A blacklist of 31 prohibited commercial practices, which includes displaying false testimonials on websites, falsely stating that a product/service will only be available either at all or on particular terms for a very limited time, bait advertising and persistent unsolicited approaches.

At the same time as the CPR's coming into force, so did The Business Protection from Misleading Marketing Practices Regulations 2008 (BPR's) which are of great importance for business to business dealings. BPR's ban misleading advertisements which are defined very broadly as advertising that deceives or is likely to deceive the traders to whom it is addressed.

## Enforcement and Penalties

There are only limited defences to breaches of both sets of Regulations which include genuine mistakes and the taking of reasonable precautions and due diligence to avoid the breach.

Both sets of Regulations will be enforced by the Office of Fair Trading (OFT) and local authority Trading Standards – wide powers of investigation are given to them. Note that no private right of action is given to consumers or competitors who must instead raise their complaint with the OFT or Trading Standards.

Breach of both sets of Regulations is a criminal offence which may be punished by unlimited fines and/or up to two years' imprisonment. Liability may extend to officers of the corporate entity which has committed the breach.

## Conclusion

As well as benefiting consumers, it is hoped that by promoting fair commercial practices the Regulations will also assist traders by creating a level playing field.

Whilst businesses which act fairly and honestly may not need to change the way they operate at all, it would be sensible to exercise caution, particularly whilst uncertainty remains at this early stage due to the lack of reported decisions. As such, it would be prudent to review existing sales and marketing practices and strategies, consider their fairness and ensure relevant staff are appropriately trained.

# Have your standard terms and conditions been effectively incorporated into your contracts with customers or suppliers?

In the last issue of **insight** we considered the need for businesses to regularly review the content of their standard terms and conditions (standard terms) to ensure they are enforceable and best protect their business.

In this issue, we look at how businesses should ensure that their standard terms are properly incorporated into and form part of their contracts with customers and suppliers.

No matter how well written and legally sound, terms that are not validly incorporated will not be enforceable and will be worthless.

## Effective incorporation

To ensure effective incorporation, a business must bring its standard terms to the attention of the other party before a contract is formed. This can be done in a number of ways.

In a perfect world a business would have an acknowledgement from its customer or supplier that the relationship will be bound by the standard terms.

It could do this by sending a letter to the customer or supplier which sets out the commercial terms that they have agreed such as the quantity of goods to be supplied, the price, the delivery timings, etc and then states that the attached/enclosed standard terms and conditions apply. It would then ask the customer or supplier to send back a copy of the letter and terms countersigned to confirm acceptance.

The customer or supplier may not send this back but this approach will help to protect against what is commonly known as “the battle of the forms”.

In the absence of a clear written agreement, there is always the risk of uncertainty as to what terms govern the relationship. The position will be worse where both parties attempt to contract on their own standard terms, for example the customer or supplier confirms its order but “subject to [its] terms and conditions” which may even be printed on the reverse of its confirmation note.

In such situations, the contract will be subject to the terms of the party that gets its terms in last... the party that fires the last shot! Therefore, if a purchase form attaches or makes reference to the purchaser's standard terms, the supplier may inadvertently contract on these terms.

The approach taken by the courts in these situations is that the acceptance of an offer that attempts to impose new terms is not an acceptance, but a counter-offer. A counter-offer is effectively a whole new offer that can then be accepted (acceptance may be deemed by the parties' performance of the contract).

## Practical steps

- To help guard against these risks, it is advisable to bring the existence of your terms to the other party's attention as early and as often as possible in the sales process. This is most easily done

by ensuring that they are referred to on the front of and, ideally, printed on the back of or attached to all items of correspondence, which a business is likely to send to any customer or supplier including purchase order proformas, acknowledgements of orders, statements of sales, invoices, etc.

- If a business revises its standard terms, a copy of the new terms should be sent to every customer and/or supplier. It is also beneficial to include a confirmation slip for the recipient to acknowledge acceptance of the new terms. Whilst not every recipient will respond, where they do, this is invaluable evidence of acceptance and therefore incorporation of the new terms.
- Online contracts - the most effective way to achieve incorporation of your terms online is for the terms to appear on screen, along with a tick box for the party to indicate their acceptance of the terms, before being able to proceed with a purchase.
- Train staff - where standard contracts have blank spaces for further information to be added, it is essential that sales staff are provided with guidance on the limits to the information that can be added, as anything inconsistent with your standard terms may override them and render them unenforceable.

# Spicy Updates – Trade Marks, Keywords, Search Engines and eBay



There have been a number of recent cases with a considerable impact upon online business. In particular there have been contrasting decisions globally relating to eBay and who is responsible for monitoring infringements and counterfeits, while cases involving Yahoo! and Google have produced contrasting opinions in the UK and France on keywords.

## Yahoo! gets Spicy but Louis Vuitton hits Google

The case of Mr Wilson v Yahoo! addressed the issue of keywords in the UK. The facts of the case, and their presentation (Mr Wilson represented himself), meant that Yahoo! was always likely to win. Mr Wilson owned a Community Trade Mark for MR SPICY and was claiming that use of his mark as sponsored keyword links by Sainsbury's and Pricegrabber constituted a trade mark infringement by Yahoo!

However, there was no actual evidence that any party had purchased the keyword MR SPICY but merely the use of the generic, descriptive term "spicy". In addition, although not formally challenged, it was pointed out that MR SPICY was not distinctive. Rather than basing its decision purely on the evidence, the court held that even if the mark MR SPICY had been sold as a keyword, this would not constitute trade mark use and therefore was not an infringement by the search engine or an advertiser.

Shortly after the Yahoo! decision, Google amended its Google Adwords policy so that trade mark owners can no longer object to the purchase of their marks as keywords unless the ad text is "in violation of a trade mark". This can be damaging to trade mark owners where competitors use their marks to advertise themselves.

The change to Google's policy is only in effect in the US, UK, Ireland and Canada. The position in France is very different, where the courts are notoriously pro rights-owners. In Louis Vuitton v Google, a French court found Google liable for allowing a third party to reserve Louis Vuitton as a keyword and ordered Google to pay €300,000 damages. Google have appealed this and similar cases and the highest

court in France has now referred several questions to the European Court of Justice (ECJ) including whether use of keywords constitutes trade mark use and, if so, whether advertisers and search engines could be liable for infringement. The ECJ may also determine whether trade marks with a reputation (like Louis Vuitton) should be treated differently to less well known or more descriptive marks (like Mr Spicy).

## eBay eats Tiffany for breakfast but Louis Vuitton strikes again

In the US, eBay have successfully defended a trade mark infringement claim against Tiffany on the basis that "Tiffany must ultimately bear the burden of protecting its trade mark". When eBay was made aware (with the requisite knowledge of the sale of counterfeit Tiffany goods), it took the necessary steps to remove the listing, and the court held it had done enough.

However, although eBay implements a tool for trade mark owners to inform eBay of any counterfeits or infringements - the VeRO (Verified Rights Owner) programme, recent infringement cases in France (again) have gone against eBay. The French courts twice found against eBay in favour of Louis Vuitton (again) and Christian Dior, both LVMH companies. The courts held that eBay was not merely a hosting service that could take advantage of the hosting defense in the EC Directive on Electronic-Commerce. The VeRO programme and steps eBay already took were not sufficient to ensure eBay met its obligations (it was noted that 90% of all LVMH branded goods for sale in the second quarter of 2006 on eBay were counterfeit). The French courts ordered eBay to pay damages to LVMH totaling almost €40 million. It would not be a surprise for the expected appeal by eBay to also be eventually referred to the ECJ.

## Conclusion

L'Oreal have now brought multi-jurisdictional complaints against eBay (including in the UK) for trade mark infringement relating to counterfeits and unlawful parallel imports. American Airlines have also recently settled a keywords dispute with Google but are now suing Yahoo! in the U.S. for trade mark infringement relating to the sale of the keywords 'American Airlines'. Retailers, rights holders, online traders and auctions and search engines will all be interested in how the appeals by Google, Tiffany and eBay and the actions brought by L'Oreal and American Airlines are decided across the globe (in particular in the UK and ECJ) and the impact this will have on the future of e-commerce.



# Crack down on exploitation of company names

The Companies Act 2006 has, with effect from 1 October 2008, introduced new rights for companies, businesses and individuals that have goodwill in names to take action against the incorporation of companies bearing those names by other parties by making a complaint to The Company Names Tribunal.

## The Detail

- The Tribunal will be available to receive complaints from any company, business or individual with goodwill in a name.
- The Tribunal will not be concerned with coincidental or inadvertent similarities or uses of names by third parties and will not therefore cover every instance of similar names.
- The Tribunal will only have the ability to consider name similarities where there is some degree of intention by the third party to exploit for its own purposes the pre-existing goodwill in a name already accrued by another.
- The Tribunal will comprise a number of adjudicators, one of which will deal with each complaint.
- The new rights apply retrospectively so can be used in respect of existing companies' names.

## Objective

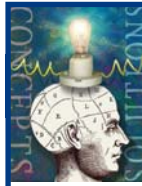
- To prevent entities opportunistically incorporating a company with a particular name in order to directly benefit financially from the existing goodwill built up by someone else.
- To prevent such entities holding to ransom others who have the legitimate goodwill in a name by offering to sell to them the company name in issue.

## Tribunal Powers

The Tribunal has the power to order that the disputed company name be changed. Should the company not do so within a certain time, the Tribunal has the further power to choose a new name for the company and to change it without its consent.

## Cost

- The cost of filing a complaint is only £400.
- There may be further costs, however, for further filings (counter-statement; evidence) and legal fees if a party chooses to oppose a complaint.
- The adjudicator will usually order that the winning party has its fees paid by the other, but this may only extend to the official fees.



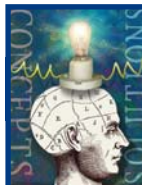
## DID YOU KNOW?

ICANN, the organisation charged with administering top-level domain names (TLDs), has released a draft "Applicant Guidebook" in relation to generic and so-called "vanity" TLDs such as <.poker> and <.google>.

It is available for review and comment at:

<http://www.icann.org/en/topics/new-gtld-comments-en.htm>. In addition a new TLD is about to launch, <.tel> domain names will be available from early December and will provide a useful way for businesses to publish their contact information in an easily accessible format and could also provide a useful way for businesses to secure a web presence without the need to create and manage a website. When a user enters the <.tel> domain name they will be presented with a list of contact information in a standard format. If the user is on an internet enabled device such as a mobile telephone they will be able to simply click on the relevant link to initiate a call/e-mail/sms without needing to manually enter the number or address.

**Registered trade mark owners can apply to Telnic Limited ([www.telnic.org](http://www.telnic.org)) from 3 December 2008; from 3 February 2009 it will be available to all businesses and individuals at a premium; with a general sale from 24 March 2009.**



## DID YOU KNOW?

The Court of Appeal (CoA) has upheld a ruling which overturned The UK Intellectual Property Office's (UKIPO) approach to patent applications for computer programs. Initially refused by UKIPO on the grounds of being a "computer program as such", the CoA found that the invention, which was a method of accessing data in a dynamic link library in a computing device, provided a "technical" contribution that had the further effect of the computer working better and, as such, was patentable. These issues have also been recently referred to the ECJ by the European Patent Office.

***Bear this in mind if you are developing software. If your software makes a technical contribution that has an effect outside of the program itself, e.g. makes the computer work better or has a novel effect outside the computer – it may be patentable. We can advise you on exploitation, protection and enforcement of software and patent rights.***

**brabners chaffe street**

Brabners Chaffe Street LLP is a leading corporate and commercial law firm based in the North West. Its business focus is on providing the full range of legal services to the mid corporate sector, specialised services to the plc and larger corporate, plus private client services to business owners and other high net worth individuals.

This briefing is for general guidance purposes only and should not be used or relied upon for any other purpose.

For further information about Brabners Chaffe Street please go to [www.brabnerschaffestreet.com](http://www.brabnerschaffestreet.com) or **contact**

- Nik White in Liverpool on 0151 600 3000
  - Jason Smith in Manchester on 0161 836 8800
  - John Boydell in Preston on 01772 823 921
- [nik.white@brabnerscs.com](mailto:nik.white@brabnerscs.com)      [jason.smith@brabnerscs.com](mailto:jason.smith@brabnerscs.com)      [john.boydell@brabnerscs.com](mailto:john.boydell@brabnerscs.com)

Brabners Chaffe Street is a Limited Liability Partnership