

## Welcome to the first edition of insight

The commercial world is fast moving and the constant changes mean that there is a need to be kept up-to-date with developments in the law, landmark cases and best practice initiatives. With this in mind, we are delighted to introduce **insight**, a quarterly commercial briefing brought to you by the commercial team at Brabners Chaffe Street LLP.

We aim to complement the information which you already receive by alerting you to specific areas which may affect the day-to-day work you do. If there is a specific issue you would like to see us address in future editions, please let us know.

In this first edition we look at a number of issues which affect many businesses, including the information which is required by law to be included on websites and in email communications, the exhaustion of trade mark rights and compensation payable to commercial agents.

We are producing **insight** in hard copy initially. However, should you wish to receive it electronically, or make any comments, please let us know by using the contact details on the back page.

## Are you providing enough information on your website and in email communications?

By virtue of the E-Commerce Regulations 2002 and also an extension of the Companies Act 1985 which came into force on 1st January 2007, the minimum information which must be provided on any company's website is as follows:

1. Company's name – any difference between this and the trading name should also be explained;
2. Company's registration number and country of registration;
3. Company's registered office address – must be a geographic address and not a PO Box;
4. a contact email address;
5. VAT number (if applicable);
6. membership details (including any registration number) if the company is a member of a trade or professional association; and
7. details of the relevant supervisory authority where the provision of the company's services is subject to an authorisation scheme.

The information referred to in paragraphs 1 to 3 above must also be provided in a company's emails.

The information must be clear and readily available. It will suffice to

provide that information, in the case of a website, on a single page of the website (for example the 'Legal Information' or 'About Us' page) rather than on every page and, in the case of emails, in the email footer.

These information requirements apply equally to limited liability partnerships as well as companies.

Please note that the information above is not exhaustive, but is a summary of the principal corporate information requirements. Additional information may also need to be provided in certain cases, for example by investment companies and regulated professions such as doctors and solicitors.

Furthermore, where a website is used for concluding contracts for the sale or supply of goods or services to a consumer (rather than to a business) the Distance Selling Regulations 2000 impose certain obligations which include the provision of additional information. The consequences of failing to comply with those obligations include a considerable extension of the time during which the consumer may cancel the contract and liability for the cost of the consumer returning the goods.

# Trade Marks: Exhaustion of Rights

Goods bearing a registered trade mark will often command a premium in the marketplace. However, the sale price of those goods may differ between countries. For example, goods sold in the Far East, and to a lesser extent the USA, usually retail for less than they do in Europe.

Any attempt by a business to exploit these differences will need to be considered with caution. European law states that goods subject to a registered trade mark cannot be purchased from outside the European Economic Area (EEA) and imported for sale within it unless the brand owner has consented to the import and sale of those specific goods in the EEA.

Where goods subject to a registered trade mark are made available for sale within the EEA by the brand owner or with its consent, it is deemed that the brand owner's rights are "exhausted" and that those specific goods should thereafter be allowed to move freely between the EEA member states.

The recent *Mastercigars* case<sup>1</sup> has brought the issue of goods imported from outside the EEA into focus. In that case, the Court of Appeal has held that, whilst the brand owner's consent must be "unequivocal", it can be implied from its conduct in some circumstances.

The reality is that an importer will usually know the origin of any goods it purchases and whether or not the brand owner has given its consent for those goods to be imported into the EEA. However, the *Mastercigars* case has

introduced an element of uncertainty, which importers may look to exploit in order to "imply" a brand owner's consent. This creates a potential risk for resellers because they are not necessarily aware of the circumstances surrounding the import of the goods in question.

If the brand owner has not given its consent then the importation of those goods and subsequent resale would infringe the brand owner's trade mark rights. In those circumstances the brand owner has a number of remedies available to it, including seeking an injunction to prevent further sales from being made and damages or an account of profits in respect of sales made up to that point. These remedies are available against the importer as the primary infringer and any reseller. Ignorance on the part of the reseller as to the origin of the goods or whether the brand owner's consent was obtained is no defence.

Whilst it is thought that the *Mastercigars* case was decided on very specific facts which may not be replicated in many other cases, the case does give an example of circumstances which can lead to a finding of implied consent and therefore, to be safe, resellers purchasing from importers should do all that they can to identify that express consent has been given and brand owners should be extra vigilant in their control and supervision of their distribution network so as not to be deemed to have given any form of implied consent to a distributor which undermines their trade mark protection.

<sup>1</sup> *Mastercigars Direct V Hunters & Frankau Limited*

## UK Calls Time on Copyright

The Government has rejected calls from the music industry to extend copyright laws in respect of sound recordings beyond the current period of protection of 50 years from the date of first recording.

The refusal to change the law will see more and more musical recordings becoming free of copyright in coming years. Though artists still enjoy a longer period of protection (of 70 years after death) in the underlying work such as the lyrics and composition of a musical piece, it does mean that the recording itself will no longer be protected. This means that artists will retain the right to royalties in their work, but that the monopoly enjoyed by the record company holding the rights to the recordings will come to an end.

The decision is disappointing to the music industry, which had hoped for a change in the law to bring the UK in line with other jurisdictions, where recordings are protected for longer periods. The United States, for example, under the "Sonny Bono Act" allows a period of protection of 95 years from the date of first recording.



# Commercial Agents - Real World Clarity

The House of Lords has recently issued a decision which goes some way to ending the uncertainty in English Law in relation to the amount of compensation a commercial agent may expect to receive in most circumstances upon the termination of his agency contract.

One of the main disadvantages of appointing an agent is the uncertainty introduced by the Commercial Agents (Council Directive) Regulations 1993.

The Regulations make it clear that an agent is entitled to compensation in most circumstances upon the termination of his agency arrangement and it sets out two alternative methods of calculating the amount payable:

- an indemnity of no more than one year's average annual remuneration calculated over the previous 5 years' annual commission; or
- compensation for the damage the agent suffers as a result of the termination.

In the event that the indemnity model is not specifically chosen in the agency contract the default method of calculation is the latter compensation method.

Historically, the problem with the compensation method has been a lack of clarity as to precisely what the agent should be compensated for and how it should be calculated since, unlike the indemnity method, no guidance is given. It has been widely believed that since the concept of "compensation" used in the Regulations derives from French law, the French courts' common practice of awarding commercial agents an amount equal to at least 2 years' average gross commission should always be followed.

All three English courts that heard the case including the House of Lords, the UK's highest court, have now roundly rejected this idea and some much needed clarity has been introduced.

The case in question involved an agent who sold shoes for a number of shoe manufacturers, including an English manufacturer whose business had declined rapidly in recent years. As a result its owners sold the business to a competitor and terminated its agency arrangement. The agent issued proceedings demanding compensation

under the Regulations arguing that he was entitled to an amount equal to two and a half times his gross annual commission.

The court rejected this as unrealistic. The agent's claim for compensation takes no account of what someone would actually be willing to pay for that agency business bearing in mind normal commercial factors that any would-be purchaser would be foolish to ignore, such as costs, overheads and market decline.

The court stated that the onus should be on the agent to show what loss he has actually suffered in terms of the value or goodwill of the agency. In making this calculation factors such as market decline, the ability of the agent to take business with him and compete with the principal are all aspects that should be considered.

In short, the case says that the agent must show what his agency was likely to fetch in the "real world".

Obviously in cases such as this where the business was in terminal decline it would be unfair to apply the "2 years average gross commission" approach as this would effectively unfairly over-compensate the agent. However, at the other end of the scale, a high performing agent may be able to justify two years' worth of commission (even on the basis of the value of the agency business to a would-be purchaser) as compensation. In such a situation it would be preferable for the principal to have elected for the indemnity option in the original agreement as it would then have the certainty of the one year cap. Indeed many principals prefer to have this certainty from the outset and avoid the uncertainty of an unfavourable calculation of compensation on termination.





## DID YOU KNOW?

If you engage someone to create for you anything which benefits from copyright protection (e.g. designs, a website or logo) they, not you, will own all such copyright notwithstanding you may have paid them to create it, unless they have agreed in writing to assign those rights to you.

***Bear this in mind when engaging consultants and suppliers who create anything for you.***



## DID YOU KNOW?

If you wish to use someone's personal data for unsolicited marketing purposes via email, fax, telephone or SMS you need his/her explicit consent to do so via an appropriately worded opt-in. It is no longer sufficient to rely on that person failing to opt-out by ticking a box or other means.

***Bear this in mind when collecting personal data which you may wish to use for marketing purposes.***



## DID YOU KNOW?

If you have a brand, logo or slogan which you want to protect, you can add the <sup>TM</sup> sign wherever you use it even if it has not been registered as a trade mark. Once it has been registered you should use the ® sign instead. Whilst the <sup>TM</sup> sign does not mean a great deal from a legal standpoint, in practice it may act as a useful deterrent.

***Bear this in mind if you want to try and deter others from using a similar brand, logo or slogan although this should not be seen as a substitute for securing a registered trade mark where appropriate.***

## STOP PRESS ... STOP PRESS

### Brabners Chaffe Street LLP advises on two of the first three London Olympic sponsorship deals

In the last year Brabners Chaffe Street LLP has advised two of the first three companies to sign up to become Tier One sponsors of the London 2012 Olympic Games and Paralympic Games (the Games).

In the second of these deals, the team led by sponsorship experts Partner Jason Smith and Associate David Bentham advised adidas' in-house lawyer Pinder Sandhu on adidas' Tier One sponsorship deal with The London Organising Committee of the Olympic Games and Paralympic Games (LOGOG) to become the 'Official Sportswear Partner of London 2012'.

adidas' partnership with London 2012 will be the biggest single investment adidas has ever put into a UK sporting event and includes a financial contribution to LOCOG, investing in LOCOG's needs to kit out athletes and volunteers as well as potential merchandise royalties and marketing activities leading up to the event.

adidas will be the exclusive supplier of branded and unbranded sports merchandise to all London 2012 venues and stores plus they will kit out the approximately 70,000 volunteers needed to man the Games and will provide them with the same level of care as athletes.

adidas will also help Team GB and Paralympics GB secure medals by supplying the most technologically advanced sporting apparel available. In addition, the sportswear company is determined to increase sports participation in the UK by inspiring youth and supporting promising young athletes for the next five years and beyond.

These two leading London Olympic deals take the value of sponsorship deals advised on by the Brabners Chaffe Street LLP team in the last nine years to in excess of £1 billion, the team having acted for both rights holders and sponsors in deals relating to sport, television, music and venues.

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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)

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