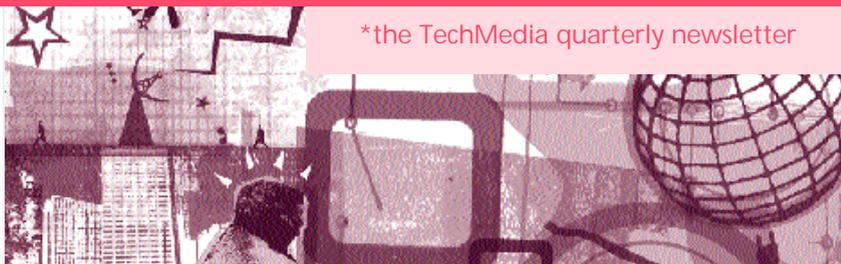


\*the TechMedia quarterly newsletter



E-BUSINESS

2-4



information technology

4-5



intellectual property

5-6



media

6-8

## 2003 - SOME LEGAL PREDICTIONS by Simon Harper

February 2003

### CONTENTS

2003 - some legal predictions	1-2
E-Summit	2
Resolving domain name disputes the Nominet way	3-4
Open source software	4-5
Of football scarves and gemstones and smells	5-6
Another Aussie win	6-7
Not so easy judgment for Easy internet cafes	8



It is traditional at the beginning of each year for lawyers to look back over the previous year with the intention of reminding their clients of all the legal changes which they have previously been trying to

ignore. But, as natural creatures of caution and certainty, the legal profession is generally less keen to look forward and make predictions for upcoming legal issues for the next 12 months (though the legislative process takes long enough to give us some good clues). Nevertheless, in the spirit of new habits for a new year, Simon Harper looks ahead to some of the legal issues on the horizon for the technology and media sectors 2003.

### Implementation of the Copyright Directive

We have already missed the deadline for the implementation of this Directive, but it seems almost certain that it will be transposed into English law sometime during 2003 (the Patent Office's revised implementation date is currently 31 March). The Directive was the EU's most lobbied ever piece of legislation with content providers, rights holders and consumers all offering an opinion. Nevertheless, we expect to hear more gnashing of legal teeth once the Directive becomes national law, so limiting the scope of permitted exceptions to copyright infringement and providing additional legal grounding for copy protection systems.

### The Communications Bill

It seems that all 400 clauses of the Communications Bill are planned to go through

the parliamentary process by July. The new Office of Communications (Ofcom) will be the most powerful regulator British broadcasters and telecoms companies have ever seen and will take on certain responsibilities for Internet content standards. From an e-business perspective, it will also take a role in dealing with illegal material on the web and in promoting systems to let users control the content that they see.

### Less deep trouble for deeplinkers?

As content providers continue to turn away from advertising and towards exploiting the inherent value in their own content, the role of content aggregators seems set to increase. As a result, during 2003 the English courts may be forced to revisit the various cases from across the US and elsewhere in Europe which give contradictory indications on the extent to which deeplinking may infringe content owners' rights. They will be looking at the new copyright legislation as well as the existing contradictory case law. This is an emotive topic which arguably questions the legal basis on which the web is built and so is one which, if and when English courts finally do take a look at the issue, is bound to generate many column inches.

### The E-Privacy Directive

This Directive, which deals with issues such as email marketing, cookies and location data, is causing severe concern within the UK direct marketing industry. During 2003, it should be clearer what direction the DTI is going to take when interpreting the opt-in/opt-out provisions. As the Directive must become law by 31 October 2003, most UK based businesses will need to change their current practices. In addition, it remains to be seen during the next 12 months

what approach to data protection compliance the new Information Commissioner will adopt. Now that the honeymoon years of the Data Protection Act are over, it may be that he becomes more heavy-handed.

### Shrinking database rights?

As the boundaries of protection offered by the database right during the last few years have become more and more broad, 2003 may be the time when they are reined in. At the moment, restrictive interpretation of the relevant legislation in the courts means that the re-utilisation of even the smallest amounts of raw data originally extracted from a database may infringe the rights of the maker of that database. It is difficult to imagine the courts continuing to take such a strict view in relation to potential database right infringements - 2003 may be the year that database makers find that their protection is not quite so broad as they had hoped.

### Trade mark changes

With the liberalisation of UK design law and the introduction of an EU design registration system we predict a major shift during 2003 from trade mark to design registration. Whilst embracing the concept of trade mark filing going fully online, the UK could become increasingly isolated with its Victorian notions of trade mark law unless it embraces ECJ jurisprudence.

### Conclusion

The extent to which these predictions come true (or, in some cases, when they come true) is largely in the hands of our legislators. Draft legislation is already in existence for much of the above and, in some cases, it is not too late to make your view known. For the remainder, the laws will be shaped by the businesses which they affect. So, over to you.

\*

## E-SUMMIT

by Eduardo Ustaran



**On 19 September 2002, over 400 delegates gathered in London for the e-Summit organised by the Office of the e-Envoy. The event served as a forum to discuss the achievements and challenges of governments, individuals and businesses in**

**the digital age and launched the International Benchmarking Report on the *World's Most Effective Policies for the e-Economy*, which ranked the UK as the second-best place for e-business. Eduardo Ustaran reports.**

Douglas Alexander, the Minister for e-Transformation, acknowledged that "e-enablement" of public services is a vital part of the Government's modernisation agenda, where 54% of all Government services are already available online.

Ivan Lewis MP spoke about the critical role of e-learning to allow individuals - e-Citizens - to benefit from technology, confirming that the Government was ready to move to the next phase of its strategy to embed e-learning across all sectors and types of education and training.

Digby Jones of the CBI provided a detailed view of what the business world believes is necessary to develop the e-Economy. He acknowledged that the

Government had made impressive progress towards achieving its 1998 goal of making the UK the "best environment in the world for e-commerce" but that ministers should ensure their policies deliver an environment that allows business to prosper. In particular, he challenged the Government to guard the "jewels in the UK crown": tax competitiveness and labour market flexibility.

The Prime Minister, who declared that how we harness the potential of technological change is the fundamental economic and social challenge of our future, gave a keynote address. As a result, the Government has committed to investing £6bn in technology over the next few years. The Prime Minister committed the Government to taking specific actions to convert progress so far into a real and positive impact on the economy including:

- promoting effective competition;
- creating the right incentives and support for businesses to seize the opportunities of new technology;
- making the opportunities and benefits of the knowledge economy inclusive; and
- providing connections to schools and investing in networking all public services.

\*

# RESOLVING DOMAIN NAME DISPUTES THE NOMINET WAY

by Cosima Lamb and Lucy Manson



**Nominet UK acts as the Registry for all ".uk" Internet Domain Names. Although**

**Nominet is not a governing or regulatory body, it is in a prime position to regulate this area and it has established a Dispute Resolution Service Policy to provide an alternative to expensive and time-consuming litigation to resolve domain name disputes. Cosima Lamb and Lucy Manson recap on the main features of the DRS Policy and look at a recent case.**

## Nominet DRS Policy

Before the introduction of Nominet's Dispute Resolution Service Policy ("DRS Policy"), the resolution of domain name disputes involving ".uk" domain names often required the claimant to pursue a claim for trade mark infringement or passing off through the courts. This could be both costly and time-consuming. The DRS Policy was introduced with the aim of offering an efficient and transparent method of resolving disputes relating to ".uk" domain names.

Registrants of ".uk" domain names are bound to abide by the DRS Policy and decisions under the DRS Policy are binding on all parties involved. Once a decision has been made, Nominet has the power to transfer, cancel or suspend the domain name in question. Complaints may be submitted online, saving time and money. The first step is for an informal mediation process to be initiated by Nominet. If no agreement is reached, the complainant may refer the case to an independent expert for a fee of £750.

As at the beginning of this year, of the 719 new cases received since the DRS Policy was re-launched in September 2001, 259 cases had completed the informal mediation stage. 55% of those cases settled at this stage. Of the 122 cases which have been referred to an independent expert, the complainant has been successful in the majority of cases. In over half of the cases referred to an independent expert, no response was received from the registrant of the domain name in dispute. In those circumstances, the complainants tend to succeed if they can set out a prima facie case.

In order for a claim under the DRS Policy to succeed, the complainant must prove both that it has rights in

respect of a name or mark which is identical or similar to the domain name in question and that the domain name in the hands of the respondent is an abusive registration. For this purpose, an "abusive registration" is a registration that has been acquired or used in a manner that takes unfair advantage or is unfairly detrimental to the complainant's rights.

## Cardpoint case

In *Cardpoint Plc v Riga Industries*, the complaint related to the domain name cardpoint.co.uk.

Cardpoint was in the business of supplying cash machines to petrol stations and convenience stores. It had been in business for almost two years and was also the owner of a number of other domain names including the name "cardpoint". Cardpoint claimed that, in view of its operations in the UK and the fact that it had applied to register the trade mark "Cardpoint", it was rightly entitled to the domain name cardpoint.co.uk.

In this case, the expert ruled in favour of Riga, even though it did not file any response, and the domain name was not transferred. The first requirement for a successful claim under the DRS Policy was satisfied, as Cardpoint was able to prove that it had built up a sufficient degree of reputation and goodwill in the name, although it was noted that a mere trade mark application will be insufficient to establish rights to the domain name if no other evidence is provided.

However, the second limb of the test was not satisfied, as Cardpoint was not able to provide any evidence to support its claim that the registration was abusive. Cardpoint Plc did not exist at the date on which Riga registered the domain name, but was incorporated almost a year after the domain name was registered. Therefore, the domain name was not registered or otherwise acquired in a manner which was unfair to Cardpoint's rights. Nor was Cardpoint able to establish that the domain name was or had been used in a manner that was unfair to its rights. The domain name did not point to an active website and no evidence existed that Riga had made use of the domain name at all.

## Reverse Domain Name Hijacking

In the Cardpoint case the expert also found Cardpoint guilty of Reverse Domain Name Hijacking (defined by the DRS Policy as using the DRS Policy in bad faith in an attempt to deprive a registered domain name holder of a domain name). If a complainant is found

on three separate occasions within a two-year period to have brought a complaint in bad faith, Nominet will not accept any further complaints from that complainant for a period of two years.

In the *Cardpoint* case, the expert held that Cardpoint had acted in bad faith for several reasons. Firstly, Cardpoint had failed to set out the grounds upon which it considered the registration to be abusive. Secondly, Riga had registered the domain name before Cardpoint commenced trading under the name in question and, thirdly, the expert believed that Cardpoint had used the DRS Policy to pursue Riga out of frustration, as Riga had previously not responded to Cardpoint's attempt to negotiate a transfer of the domain name.

### Conclusion

Since its introduction, the Nominet DRS Policy has become established as a quick, cheap and effective alternative to litigation, which protects the rightful owners of domain names. However, potential complainants should be aware that Nominet will not always rule in their favour, especially if it considers there to be no merit to the claim. Care must be taken that the process is not abused and that only legitimate complaints are made. The decision in *Cardpoint* shows that complainants would be wise to determine the grounds of their complaint clearly before taking action.

\*

## OPEN SOURCE SOFTWARE by Adam Rose and Richard Chapman



**We are increasingly coming across software that is said to be "open source" - both in the**

**context of advising clients taking licences and in corporate transactions. Adam Rose and Richard Chapman look at some issues for software suppliers and users.**

Open source software is based on the concept of freely distributable software with few restrictions on use, for which the source code is also distributed and which a collaborative not-for-profit community of programmers usually produces.

There is no "official" definition of open source, and different people have different ideas on some of the key concepts. It will generally include some combination of (at least) the following:

- the licence must not restrict anyone from selling or giving away the software;
- the software must include source code, and the licence must allow distribution in source code as well as compiled form; and
- the licence must allow the creation of modifications to the software and derived works, and must allow them to be distributed under the same terms as the licence of the original software.

### Why is open source important?

Perhaps the most important technological advance in the world of the last ten years is the Internet, through global use of email, publicly available web sites and the use of Internet technologies on corporate intranets. The operation of the Internet relies on the use of open source software.

### Taking and receiving a software licence

In a traditional licence, the user expects the supplier to warrant that it is entitled to permit the user to use the software, and that it owns or has sufficient rights to the software to allow the user to use in accordance with the permitted purpose. There will generally also be expected of the supplier an indemnity associated with intellectual property rights infringements.

Open source licences generally provide the software "as is", i.e. with no express warranties or liability attached to the licensor. If this seems unpalatable, users do derive comfort on supportability from (a) the free availability of the source code and the right to modify it, and (b) the likely community of talented programmers who could rapidly develop fixes.

Suppliers need to consider how to incorporate open source software into their products. Problems caused by inclusion of open source material in a wider package include:

- traditional commercial suppliers will not wish to include source code with a package and will often not want to agree escrow arrangements, which needs to be contrasted with the open source

standard of inclusion of source code - to overcome that, the supplier would need to make the open source code available, say, by means of a web link, whilst holding back the non-open code; and

- much open source software is supplied via click wrap licences over the web - proving to oneself the right to use the code in the way it has been used, including the right to license it on terms as part of a wider package, is always going to raise questions: of jurisdiction, scope, duration and traceability in the event of litigation.

### Buying or selling businesses

The buyer needs to know that it can take over the use of the software, and have the system supported. Open source raises issues here too:

- Just because open source is freely available, does not mean that it is readily supportable. Without

knowing exactly how it has been compiled and combined with other code, it might not be as safe as buying a business dependent on standardised software.

- A business can easily modify the source code for its own purposes - unless these modifications are documented there is a clear supportability problem for the buyer of the business. A buyer would be well advised to ensure that any key open source software is unmodified and from a readily available standard distribution.

### Final thought

Contract law is a construct of capitalism; commerce feels threatened by the open source movement since it seems to undermine both the essential point of commerce (making money) and licences (protecting intellectual property rights and restricting use).

✱

## © intellectual property

# OF FOOTBALL SCARVES AND GEMSTONES AND SMELLS

by Tamara Quinn



Last year saw some intriguing and controversial trade mark cases. Tamara Quinn reports.

### *Arsenal Football Club v Matthew Reed*

In December, the English High Court took the unprecedented step of refusing to follow a decision of the European Court of Justice (the "ECJ").

Mr Matthew Reed had for years sold unofficial Arsenal merchandise (scarves etc), with the word "Arsenal" and the Gunners' cannon logo, (registered trade marks of Arsenal Football Club) from stalls outside the ground. The stalls had prominent signs that the goods were not those of Arsenal Football Club.

The ECJ said that, in principle, use of a trade mark was not infringing if it was not intended to denote trade origin and the public did not perceive it as doing so. However, in this case, at least some of the public (e.g. those seeing them worn after purchase) would assume the goods were official merchandise, and so Mr Reed was infringing.

The English court said that the ECJ had gone beyond its powers by making a finding of fact (i.e. that the public would perceive the goods as official merchandise) instead of confining itself to a purely legal pronouncement. What's more, the ECJ's finding of fact contradicted that of the English judge, who had held that the fans perceived the marks merely as an indication of allegiance to the team. The judge then analysed the ECJ's judgment to discern its view on the legal issue, which was, he said, that use of trade marks was not infringement if the use did not denote trade origins. On that basis, Mr Reed was not infringing.

### *Jewellery - Holterhoff v Freiesleben*

Another ECJ judgment on a similar matter involved the marks "Spirit Sun" and "Context Cut", which had been registered for gemstones and were used by the owner to describe two particular cuts.

In negotiations with another jeweller, the defendant used the marks to describe the types of cut stones he could provide. The trade mark owner sued for trade mark infringement. The ECJ rejected the claim, saying that there was no infringement because the defendant used the marks purely descriptively to

describe the nature of the goods and there was no risk that the purchaser would take them as an indication of origin.

### Viennetta - Nestlé v Unilever

In a case in the English High Court, Nestlé opposed Unilever's trade mark application for the shape and colour of its "Viennetta" ice cream dessert.

Unilever had commissioned a survey of the public showing that the majority of those questioned correctly identified the Viennetta product from amongst pictures of several different ice cream desserts. Mr Justice Jacob said that it was not enough to show that the public recognised the mark as associated with a particular maker; that recognition had to be the result of the applicant having used the mark as a trade mark (i.e. to denote trade origin). The judge held that the shape itself had not been used as a trade mark (instead, Unilever had concentrated on "Walls" and "Viennetta" to indicate origin). The judge went on to say that, even if the shape had been used as a trade mark, the fact that a significant minority of those surveyed had thought some of the other products were Viennetta indicated that the mark was not distinctive enough to be registered.

The judge acknowledged that the issues were difficult and has referred the case to the ECJ.

### Smells

Finally, in *Ralf Siekmann v Deutsches Patent-und Markenamt*, the ECJ has given guidance on the registrability of smells as trade marks.

The application in question (covering a wide range of services) was for a smell described as "balsamically fruity with a slight hint of cinnamon". The application included the name and structural formula of the chemical that produced the smell and explained how to obtain it, and a sample was provided.

The European Trade Marks Directive states that a trade mark cannot be registered unless it is "capable of being represented graphically". The ECJ said the representation must also be self-contained, easily accessible and intelligible, durable, unambiguous and objective and held that the application in question failed to meet these criteria and was therefore not registrable. The decision does not rule out the possibility that some smells, which are easily recognisable from a short description (e.g. "lemon" or "vanilla"), could be validly registrable. However, it does mean that many existing olfactory registrations may be subject to challenge.

★



## ANOTHER AUSSIE WIN

by Ian de Freitas



**At the same time as the Australians were underlining their dominance of the cricketing world, even more depressing news arrived from Australia for Internet publishers. Ian De Freitas examines the decision of the High Court of Australia which**

**has profound implications for anyone publishing defamatory material on the Internet.**

In *Dow Jones & Company Inc v Gutnick* (10 December 2002) the High Court of Australia held that, for the purposes of defamation law, it is the place where defamatory material is accessed on the Internet that has jurisdiction to determine a defamation claim, provided that the Claimant has a reputation to protect in that country. This has confirmed the worst fears of Internet publishers that, if material is published on the

Internet, then there is a risk of being sued for defamation in any country where that material is accessed.

### Test case

Dow Jones publishes the Wall Street Journal and Barrons Magazine. Dow Jones' website reproduces printed editions of Barrons Magazine. This material is uploaded onto servers in the United States. On 28 October 2000, Dow Jones' website included an article first printed in Barrons Magazine regarding Mr Gutnick. He lives in Australia and has his business headquarters there, although he does conduct business elsewhere, including the United States.

Mr Gutnick claimed the material on the website defamed him. He commenced proceedings in Australia for the publication which had taken place there. The key question for the Australian court was

where the material was published. Dow Jones argued that the Australian Courts did not have jurisdiction because the material was first published in the United States where it was uploaded onto their servers. They relied upon the Single Publication Rule developed in the United States. This holds that any dispute about defamatory content should be resolved in the place where the newspaper or magazine is first published (i.e. the United States) and not in one or more jurisdictions where the defamatory material is received.

### Dismissed

This argument was rejected by the Australian High Court. It held that the essence of an action for defamation is the protection of reputation and the place of damage to that reputation is the significant factor in determining where proceedings should be heard. As Mr Gutnick had a reputation to protect in Australia, damage to Mr Gutnick's reputation would be felt when the material was downloaded there.

### Third umpire

In giving a separate judgment, Kirby J was more sympathetic to Dow Jones' arguments. He recognised that the global nature of the Internet, with its lack of geographical boundaries, points toward the need to reconsider the laws in this area. He also recognised the danger that, if a publisher can be sued in any place where material is downloaded, then the likely result is that publishers will adopt a more cautious approach, effectively censoring free expression by reference to the laws of those states that have more restrictive defamation regimes. However, he felt that it was not appropriate for the courts to interfere with existing rules. Rather, this is a matter for the Australian legislature to deal with.

### All out rejection

In another separate judgment, Callinan J offered the most robust rejection of Dow Jones' arguments. He said that a person publishing material on the Internet is necessarily seeking to reach a greater audience. In doing so, the publisher hopes to obtain greater profit and influence. In return, the publisher must accept the need to exercise greater care in publication. In effect, if a publisher wants to have the benefit of publishing through the Internet it must also accept the burden that goes with it, i.e. exposure to foreign laws. Callinan J said that what Dow Jones sought in relying on the Single Publication Rule was to establish an "American legal hegemony in relation to Internet publications". This is because, if the Single Publication Rule were accepted, the majority of

defamation claims would be heard in the United States, where most of the world's servers are located (and hence where material is first published).

### Follow on

This case is significant in that it represents the first ruling by a final appeal court regarding jurisdiction over Internet defamation. If a similar case came before the English courts, it would be likely to be decided in the same way. Although the English courts have not yet determined a case regarding jurisdiction over Internet defamation, they have already rejected the Single Publication Rule in the context of whether material held on a newspaper's website archive is a fresh publication (*Lutchansky v The Times Newspapers*). The position is all the more alarming, particularly for American publishers, in that the English courts adopt a relatively low threshold to determine whether a person has a sufficient reputation in this country in order to bring proceedings for a publication taking place here (see for example *Berezovsky v Michaels*).

### Last stand

However, there are some words of comfort for Internet publishers. The Australian court left undetermined the question of whether a party could sue for damage to its reputation for publication overseas, indicating that the Australian court might be persuaded to halt Australian proceedings or grant an injunction preventing the continuance of foreign proceedings where cases were being brought in a multiplicity of jurisdictions. The Australian court also recognised that, although vindication in one's home state is the primary aim of an action for defamation, whether a damages award would be enforced in the publisher's home state was another matter. For example, the American courts have been loathe to enforce foreign court judgments where those judgments offend against American concepts of freedom of speech. An example of this is *Telnikoff v Matusevitch*, where the American courts refused to enforce a judgment given by the English House of Lords. Finally, Claimants also have to take into account whether it is worth suing a Defendant in the Claimant's home state, particularly where the publication (as is often the case in relation to the Internet) is not undertaken by a mainstream publisher but by an individual or campaign group whose views may not carry as much weight. For mainstream publishers, however, the message is clear. It is prudent to check defamation and associated laws in an individual's or company's home state before publishing information about that individual or company on the Internet.

\*

# NOT SO EASY JUDGMENT FOR EASY INTERNET CAFES

by Sarah Monk



In the recent case of *Sony Music Entertainment (UK) Limited and ors v Easy Internet Cafes Limited*, the court held that a CD burning service available to customers at Easy Internet Cafes was unlawful because the owner of the copyright in the relevant sound recordings had not licensed the downloading of its copyright material from the Internet. Sarah Monk explains.

## The process

Easy's customers downloaded music from the Internet to computer files and then requested Easy staff, who were precluded from seeing the material downloaded, to burn the files onto CDs for the customers to take away, for a fee of £5. Easy denied that the CD burning service offered to its customers infringed copyright. It argued that, since it was not aware of the contents of the files being copied and so had no knowledge that they infringed copyright, its role was analogous to that of an ISP and it could not be responsible for the act of copying. The court disagreed, ruling that liability for infringement does not require actual knowledge of the infringing act.

## The defence

Clearly, downloading a sound recording from the Internet without authority from the copyright owner generally infringes copyright. However, s.70 of the Copyright, Designs and Patents Act provides a defence to copyright infringement in respect of the making for private and domestic use of a recording of

a broadcast or cable programme solely for the purpose of enabling it to be viewed or listened to at a more convenient time. Originally, s.70 was primarily intended to cover situations such as a person videoing a television programme in order to watch at a more convenient time. However, the judge said that it also applied to downloading from the Internet on the basis that the Internet fell within the definition of a cable programme.

In this case, Easy argued that its customers were copying the recordings for private and domestic use within s.70 and so sought to rely on this defence. The court stated that, irrespective of whether the customers were downloading the music for their own private and domestic use and so could be entitled to rely on the s.70 defence, the interposition of Easy in the copying process for commercial gain was fatal to this defence. Easy had provided the CD burning service in return for payment of £5. The copying was not carried out by Easy for its private and domestic use, and so it could not rely on the s.70 defence, even if the original copying by downloading had been carried out for the customer's private and domestic use.

## Conclusion

The case confirms that a person who voluntarily copies copyright material downloaded from the Internet is liable for copyright infringement. Unlike an ISP, whose computers may store infringing copies being transmitted between third parties without any involvement of the ISP, persons in the position of Easy are not "involuntary" copiers, and so will be liable for infringement.

\*

**TechMedia Update is a general summary only. It is not comprehensive. Specific legal advice should be sought in relation to the particular facts of a given situation.**

The firm is not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services to clients because we are members of the Law Society. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. The services described in this publication may include investment services of this kind.

## CONTACTS

### E-commerce, IT and Intellectual Property

Adam Rose  
adam.rose@blplaw.com

Lucy Manson  
lucy.manson@blplaw.com

### London

Adelaide House T: +44 (0)20 7760 1000  
London Bridge F: +44 (0)20 7760 1111  
London  
EC4R 9HA www.blplaw.com

L O N D O N

### Brussels

150 Chaussée de La Hulpe  
B-1170 Brussels  
T: +32 2 741 86 30  
F: +32 2 741 86 47

N E W Y O R K \*

### Associated firms\*

Kramer Levin Naftalis & Frankel LLP  
Studio Legale Santa Maria

P A R I S \*

M I L A N \*