

information technology/ e-commerce bulletin



Welcome to Pritchard Englefield's information technology/e-commerce bulletin. The aim of this bulletin is to give a brief overview of some of the more significant and interesting developments in this fast-moving area.

In this edition:

- All is not lost if you have not signed an NDA...
- Are your brands and website content being used by others on the internet?
- Are the courts now more willing to allow more protection for surface design of articles?

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ALL IS NOT LOST IF YOU HAVE NOT SIGNED AN NDA...

The problem

We regularly advise clients who are considering the sharing of confidential and technical information with joint-venturers or possible purchasers of their business or company. We also act on behalf of buyers and investors interested in reviewing business opportunities.

Where appropriate, we recommend that the parties enter into a non-disclosure agreement ("NDA") or at least include confidentiality provisions in any agreement they may have with the other party - this is particularly important for two reasons:

1. if you reveal an invention to a third party other than under conditions of confidentiality you will destroy the novelty of that invention and may then not be in a position to obtain a valid patent; and
2. the only way to protect some confidential information is by having contractual arrangements with the person with whom you are sharing it.

Problems arise if confidential information is shared but the owner has not entered into an NDA with the other party.

High Court clarifies rights where there is no NDA

However, the recent High Court case of Vestergaard* demonstrates that even if you do not have an NDA or other agreement protecting the confidential information, you may still find that your confidential information is protected whether in relation to misuse by a former consultant or another party so the case is of potentially wide application.

The claim in Vestergaard related to mosquito nets which were impregnated with formulations designed to deter mosquitoes. It was brought against a number of different parties including two former employees of the claimant company and a self-employed consultant who had also worked with them. There was no consultancy agreement between that individual and the company but the parties acknowledged that there was an oral contract between them and that put the consultant in a position analogous to that of a senior employee with the claimant.

Before leaving the claimant's employ, the consultant started working with a competitor group of companies to develop a rival product. The judge found that there had been a misuse of the confidential information by the consultant and the competitor companies and the claimant's case was upheld due to implied and equitable conditions of confidence on the consultant.

The judge had to consider the scope of the injunction awarded against the defendants. He found that the manufacture and sale of the first version of the product launched by the defendant did amount to misuse of the claimant's confidential information but subsequent versions did not amount to a misuse of that information even where the formulations concerned derived from the original information owned by the claimant. Accordingly, the injunction was limited to sales of the first version of the product only. The judge ordered an enquiry into damages or account of profits for subsequent developments on the trade secrets.

Additional measures to protect confidential information

Apart from having parties sign NDAs other methods that can be employed include the following:

- everyone is made aware of the nature and importance of protecting the relevant confidential information.
- physical access to confidential information should be limited to a "need to know" basis and preferably to those who are either senior or require it for their jobs such as those working directly with the information e.g. in a laboratory.
- information should, if possible, be marked clearly as being confidential.
- technology itself can be harnessed to restrict access to confidential information.
- there should be policies in place regarding disposal and destruction of the same.

Conclusion

Vestergaard were perhaps lucky with the outcome of this case and the facts of the case were in any event somewhat unusual. Businesses would obviously want to avoid the cost and trouble of a High Court action so if in doubt get any party to whom you are disclosing confidential information to sign an NDA at the outset and adopt our suggestions. We are always happy to suggest forms of wordings for NDAs and other documents that deal with confidential information.

ARE YOUR BRANDS AND WEBSITE CONTENT BEING USED BY OTHERS ON THE INTERNET?

It is becoming increasingly important to monitor the Internet to check that others are not using your business name, brands, trade marks, domain names and website content and materials (intellectual property).

We regularly come across cases of misuse and advise on issues such as third parties registering domain names which are the same as or similar to the names used by our clients and trade mark and copyright infringement.

Domain names

You may discover that a third party has already registered your brand as their domain name and may only be willing to assign the domain to you on payment of a significant sum.

Whilst some people may have registered on a perfectly bona fide basis others, so-called "cybersquatters" will be aware of your brand already and have taken advantage of the "first to file" system operated by domain name registrars. As no-one can register all permutations on a particular name, others, the so-called "typosquatters", may have registered a slight variant of your brand as a domain name.

One additional irritant is where the registrant sets up a website under that domain name. In some cases if they are selling unconnected goods or services there will be little that you can do. Sometimes, however, they may deliberately create a website that looks very similar to your own with the express intention of confusing your customers and potential customers. Others may operate a website earning an income via a "pay per click" mechanism whereby they earn income from the third parties to whose sites they direct visitors to their own rogue site. Some of these third party sites may be operated by your competitors and you may therefore suffer loss of business or anticipated business as a result of such actions.

In the last two types of cases you may be able to bring trade mark infringement or passing off proceedings against the owner of the rogue site although this will be difficult and expensive to do. An alternative solution would be to consider using the domain name dispute resolution procedure which each domain name registry operates. The specific rules of each registry will be different but the usual things that you would need to demonstrate are that:

- the key element of the domain name is the same as or similar to your own business or brand name;
- there is a lack of genuine use or claim to the brand on the part of the registrant; and
- the registration was made in bad faith or as a result of the conduct of the registrant is now registered in bad faith.

If, after considering written submissions from the parties, an arbitrator under such a dispute resolution scheme considers that the domain name is registered in bad faith, then he will issue a mandatory order to the registrar concerned directing it to transfer the domain name to the successful claimant.

Sponsored links and meta-tags

Another ongoing issue is whether the buying and selling of key words that consist of other parties' registered trade marks in order to generate sponsored or paid links on the results page of a Google search that an internet user may undertake constitutes trade mark infringement.

Your registered trade marks may also be used in meta-tags in websites used by third parties and your competitors. Meta-tags are the key words coded into the hidden text on a website. The trade mark itself will not appear on the sponsored link or the third party's website and so there is an ongoing issue as to whether or not this is trade mark infringement. The legal position remains unclear.

Copyright

Copyright can exist in text, images and other material which appear on websites but even though it is physically possible to copy that material it may still be protected. We are aware of a recent High Court case that illustrates this point†. A UK removals company used a photograph, the rights to which were owned by the photographic agency Getty Images, but without seeking its permission or paying a standard licence fee. Getty had a contract to market the picture on behalf of the photographer. Getty had been able to trace the use of the photograph to the removals company and asked the company to pay the licence fee. The company apparently ignored the request and was successfully sued by Getty for copyright infringement. The removals company had to pay just under £2,000 in damages and interest together with Getty's legal costs (which were no doubt substantially more than this sum).

Recommendations

In conclusion, it is easy for others to misuse and abuse these types of intellectual property. There are systems for enforcing your rights and there are steps that you should take now to try to ensure that you are in the best position to enforce your rights bearing in mind that most systems of intellectual property protection operate on a first to file basis:

- Register key domain names;
- Register trade marks considering the countries of importance to you;
- When you create a new brand ensure that you undertake a freedom to use search and then seek trade mark and possibly domain name protection; and
- Keep policies for intellectual property protection under regular review and keep a watchful eye for misuse of your rights by third parties.

WILL THE COURTS RECOGNISE THE NEED FOR PROTECTION OF SURFACE DESIGN OF ARTICLES?

The problems

There are two gaps in the protection that can be afforded to some types of designs.

First of all, the provisions of the Copyright, Designs and Patents 1988 Act ("CDPA") state that it is not an infringement of copyright in drawings or prototypes, etc. to make an article to the design set out in those drawings or prototypes or to copy an article made to the design. This has meant that there has been an important gap in the protection that a designer can enjoy in the designs he creates.

Secondly, whilst UK unregistered design right may be of assistance in protecting the shape and configuration of some articles it does not protect surface designs. In one case concerning Lambretta Clothing Company Ltd.‡, Lambretta claimed the right in relation to a certain colour scheme for a tracksuit top. The court found that the colours were not part of the shape or configuration of the top and therefore, Lambretta had no protection for its rights.

Limited exception

On occasion, the Court has been able to clarify the scope of the gap as the recent case of Flashing Badge Co Ltd§ illustrates. There is an exception to the CDPA provision noted above which means that drawings of "surface decoration" in other words design can be protected by copyright. The case concerned designs for flashing novelty badges bearing messages such as "let's party". The surface design of the badges could actually be removed from the badges and, in strict accordance with the exception referred to above, the surface design of the badges was protectable even though the shape of that detached decoration and the shape of the badges themselves was not.

Claimants have had to rely on passing off which is very difficult to prove from an evidence point of view.

Closing the gap

The Council Regulation on Community designs (derived from European law) has been in force in the UK for

a number of years. The Regulation creates the Community Unregistered Design Right ("CUDR"). This may be able to overcome the type of situation that arose in Lambretta and given how rarely the Courts are likely to be faced with a detachable design, should also give comfort to designers where surface decoration cannot be separated from the underlying article itself.

The right

The right covers the application of a wide range of designs including surface decoration to products such as packaging and clothing. This new right was lobbied for by the fashion industry and others and, to a great extent, closes the gap and strengthens the hand of designers. As far as we are aware, there has only been one reported case on CUDR being the case of *Mattel v Simba*** which related to Barbie dolls where the right was successfully asserted by Mattel.

The right:

- also provides that the same design can be protectable as a Community registered design for up to 25 years (where CUDR itself is only protected for 3 years from the date on which the design was first made available to the public within the Community).
- can be asserted by anyone (unlike UK unregistered design right which can only be asserted by UK citizens and citizens of countries which enjoy reciprocity of recognition of that right. This excludes many countries e.g. the US which do enjoy CUDR).
- may permit its owner to obtain a pan-European injunction in relation to the right.
- attaches to the whole or part of a product which may have some technical advantages.
- protects not just surface decoration but also shape and configuration.

Conclusion

We expect to see more cases where CUDR is successfully asserted and believe it enhances rights in an area where historically protection has been thin.

ABOUT US

Pritchard Englefield is a niche City firm of solicitors covering company commercial law, IP/IT, corporate/banking, disputes resolution, commercial property and construction, employment, probate and tax planning, family and personal injury. Further information can be found on our website at www.pe-legal.com.

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* Vestergaard Franden A/S and others v Bestnet Europe and others [2009]

† Getty Images v AJ Coles [2009]

‡ Lambretta Clothing Company Ltd v Teddy Smith (UK) Ltd and another [2004]

§ Flashing Badge Co. Ltd v Groves [2007]

** Mattel Inc. v Woolbro Distributors and others [2003]