

# Concept

Summer 2014

## IPEC refuses to disregard costs cap despite forged letter from “Judge”

### Welcome

Welcome to the Summer 2014 edition of **Concept**, the news bulletin from Burges Salmon's Intellectual Property and Technology Team.

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The Intellectual Property Enterprise Court (“IPEC”) has a fixed costs system and must adhere to scale costs and a £50,000 costs cap (CPR 45.30 and Table A of PD45). This provides greater cost certainty for litigants with less complex, lower value IP disputes.

New scale costs, amending Table A, came into force on 1 October 2013 and the recent case of *FH Brundle v Perry* and others considered the interpretation of the amendments. The IPEC determined that the amendments should be interpreted so that a claim made after 1 October 2013 to bring a new party into an action filed

before 1 October 2013 should have costs assessed on the new scale. The original action filed before 1 October 2013 remained on the old scale.

Perhaps most interesting about the case was that the IPEC considered when it can depart from the costs cap and scale costs. The Court determined that it may be able to abandon scale costs if a party has behaved unreasonably but that it should only depart from the overall costs cap in truly exceptional circumstances.

In this case, the unsuccessful defendant (Mr Perry) had acted abusively throughout the case and had even forged a letter from the presiding Judge, purporting to reverse the initial Court decision into his favour. IPEC Judge Hacon decided that, whilst this behaviour was strikingly unusual, it was not truly exceptional on the scale of unsatisfactory behaviour and the cap remained.

Given the Defendant's “unusual” behaviour, the Court ordered dissemination of the judgment (in an industry magazine) at the Defendant's expense, perhaps to make up for not exceeding the costs cap.

If faking a letter from the presiding Judge does not amount to exceptional circumstances, then it is clear that the IPEC costs cap is virtually impossible to exceed. This may be good or bad news depending on whether you have won or lost at the IPEC.

## Lies and forgery not fatal to copyright claim

The Court of Appeal recently considered the question of how to deal with parties who are dishonest witnesses in *Lloyds v Shanley*. In this case, the respondent's dishonesty was held to be fatal to only part of his original breach of copyright claim against the appellant banks.

Shanley had agreed with Halifax to re-write part of its computerised claims management system using his own proprietary software - a scoping tool. After its 2009 takeover of HBOS, Lloyds began using the software. Shanley commenced proceedings for breach of copyright, claiming that he had not given his permission and relying in part on an alleged written agreement. The banks asserted that the agreement was a forgery, which Shanley denied. However, shortly before the trial, he admitted he had indeed fabricated the agreement.

Shanley was nevertheless partially successful in his claim. The court held that Shanley's lies were not fatal to his claim in respect of the activities of Lloyds. Kitchin LJ concluded “*Mr Shanley has prevailed in his claims in respect of ... Lloyds despite his manifest and repeated dishonesty. But... the fact that a claimant tells lies does not necessarily lead to the conclusion that the whole of his case is without substance.*” Notwithstanding the fact the written agreement was a forgery, Shanley had not given his permission.

Following this, the banks sought Shanley's committal for contempt. The High Court imposed a three month custodial sentence following the observation that it was “*difficult to see... how there could be a more serious or flagrant contempt*”.

# Business consulted on copycat packaging

Ministers in the Department for Business Innovation & Skills (**BIS**) have undertaken a consultation on the case for granting businesses civil injunctive power in respect of so called “copycat packaging” (product packaging that is designed to give it the look and feel of a competing well-known brand, distinct from counterfeiting as it normally doesn’t involve copying trade marks).

Under the Consumer Protection from Unfair Trading Regulations 2008 (**CPRs**), there are provisions prohibiting traders from engaging in certain misleading actions (including marketing a product in a way which creates confusion with competitor products) and corresponding criminal and civil remedies under the CPRs and Enterprise Act 2002, that can be enforced by “general enforcers” (the Competition and Markets Authority, Local Authority Trading Standards and Trade and Investment in Northern Ireland). However, no power for businesses to take civil injunctive action exists.

The consultation highlighted the difficult balance around rights of enforcement. A right for businesses to take civil injunctive action in respect of “copycat packaging” wasn’t originally included in the CPRs on the grounds that there were criminal and civil remedies that could be enforced by the “general enforcers”; that although consumers were sometimes misled by “copycat packaging” there was no real detriment; and allowing a right for business to business enforcement could lead



to a high number of disputes. However, many businesses feel that the “general enforcers” are not devoting sufficient resource to the matter resulting in an enforcement gap that needs to be addressed.

The consultation focused on (amongst other things): evidence of the existence of an enforcement gap, the extent to which consumer detriment arises from “copycat packaging”, and the costs and benefits of allowing business to business enforcement.

The consultation closed on 19 May 2014 and a final report will be published in September 2014.

## ICELAND: trade mark or geographic indication?



British supermarket chain Iceland Food Limited (“IFL”) applied to register a series of three marks, comprising the word ICELAND and variants of the chain’s logo. Registration was sought for a broad range of classes of goods and services. This application was opposed by a number of entities, including the Icelandic government, Iceland Spring in Iceland, Icelandic Group Plc. and various Icelandic trade organisations.

A decision issued on 8 August 2012, which determined that the opposition would be rejected in relation to the majority of classes. The Office found that evidence did not support a conclusion that the use of “Iceland” would be an indicator of geographic origin for these products/services and that there was little evidence these products were produced in Iceland and sold in the UK.

However, the opposition was upheld in certain other areas where geographic origin would be implied, either now or in the future. IFL appealed this part of the decision in relation to “meat, poultry and game”.

The Appointed Person, Professor Annand, determined that the Registrar’s original decision was correct and dismissed IFL’s appeal. She held that, where concerned with absolute grounds of refusal, the hearing officer had been entitled to rely on their own general knowledge and common sense and the evidence filed supported a finding that the objection in relation to “*meat, poultry and game*” was made out. Such a decision was in the public interest and borne out by the additional evidence admitted in the appeal: the key question is what would the average consumer understand on seeing ICELAND stamped on a piece of meat?

This decision serves as a reminder that, whilst it is possible to register a trade mark incorporating a geographic location, the Office may refuse any application where the relevant class of persons could reasonably be considered to associate the category of goods concerned with geographic origin, either now or in the future.

# Bare essentials for internet security: government advice for businesses

Companies, charities and not-for-profit organisations will be able to certify that their internet security measures are fit for purpose using a new government accreditation scheme.

The Cyber Essentials Scheme provides a five-point framework against which organisations can check they are meeting the minimum requirements to protect against online threats. Organisations will also be able to receive independent accreditation under the scheme to reassure customers that they are implementing the security measures.

Cyber Essentials was launched last month and advises on the following areas of internet security:

1. Boundary firewalls and internet gateways.
2. Secure configuration of devices.
3. Internal user access control.
4. Malware protection.
5. Keeping software up-to-date with latest security patches.

The proposed assurance framework whereby organisations can be accredited against the scheme is expected to be available by this summer. There will be three tiers of accreditation: bronze, silver and gold.

Bronze accreditation will be done on a self-assessment basis, certified by the head of an organisation and then verified by independent professionals. The silver tier will require independent testing and provide a snapshot of a company's security measures. The gold standard will have the same independent testing but also an assessment of the



ongoing governance and processes to ensure the measures will remain in place over time.

As the name suggests, the Cyber Essentials Scheme represents the basic steps which all organisations should take to protect themselves online. It will be particularly useful to SMEs as larger companies may need more comprehensive protection measures.

In addition, by securing accreditation on the scheme, organisations can go some way to complying with their obligations under data protection law to ensure that personal data is stored securely. Depending on the sensitivity and size of personal data, accreditation may not be sufficient to meet all data protection requirements, but as a government scheme, Cyber Essentials is a good first step for all organisations.

## Fast Track trade mark opposition - first decision

Following its launch on 1 October 2013, the UK Intellectual Property Office has now issued its first decision using the new Fast Track opposition procedure.

The new process aims to allow trade mark owners to enforce their rights at an affordable cost, and more quickly than the conventional procedure.

The first decision concerns a dispute between two individuals, Syed Naseer (the applicant) and Ahmed El-Zalabany (the opponent).

Naseer applied for the trade mark **E-VAP** in class 34 for "Electronic Cigarettes or Vapour Cigarettes". El-Zalabany opposed the mark, based on his earlier registered UK trade mark **E-Vape**, also protected in class 34 for "smokers' articles, electronic smokers' articles". The earlier mark was not old enough to be subject to proof of use, so the fast track was the appropriate forum.

The Hearing Officer concluded (**O/106/14**) that the marks were similar and that there would be direct confusion on the part of consumers.

The decision issued within 6 months, demonstrating that the process can be significantly quicker than the standard opposition procedure.



# Groundless threats reforms

The Law Commission's final report on its proposals for reform in the area of groundless threats concludes that protection against groundless threats in relation to patents, trade marks and design rights should be retained, but reformed.

A groundless threat is made where (i) there is no actual infringement; (ii) there is no real intention to follow up with enforcement proceedings, or (iii) the threat is made in respect of a right which is invalid and therefore unenforceable. A party subject to a groundless threat may apply to court for an injunction to stop the threat being made, damages, and a declaration that the threat is unjustified.

The provisions were originally enacted to prevent rights holders misusing their right to enforce (e.g. to remove competitors from the market) and to ensure development of new ideas and inventions was not stifled. However a balance needs to be struck. Concerns in relation to the current law are that it is not clear or easy to apply, it prevents a rights holder from setting out its complaint in full and results in increased costs and an extra layer of complexity.

In addition to making the law clearer to understand, there is a particular desire to make the threats provisions more consistent between patents, trade marks and designs (which is not currently the case).

The Law Commission's report includes the following recommendations:

- Bring the provisions in relation to design rights and trade marks in line with patents so that a threats action may not be brought for threats made to those who carry out 'primary acts' of infringement (e.g. making, importing, supply services under a mark);
- Communications with 'secondary actors' (e.g. retailers/suppliers of infringing goods) should be permitted where there is a legitimate commercial purpose behind it (e.g. to track down a primary actor);
- A legal or professional adviser should no longer be jointly liable for making threats where they are simply acting in their professional capacity on their client's instructions.

The proposed reforms are a step in the right direction, but the report does not include a draft Bill and therefore it remains to be seen how quickly new legislation to put the reforms into effect will be enacted. In the long term, it is possible that the provisions will be abolished altogether and replaced with a new cause of action based on unfair competition law, which would bring English law in line with European law (where this cause of action already exists). For now though, the law remains unchanged.

## ISPs and website-blocking

The Court of Justice of the European Union (CJEU) has ruled that ISPs must take all reasonable measures to block access to a website containing infringing material.

ISPs are liable as intermediaries and are left to interpret what steps would constitute reasonable measures. Cost and risk implications may result in ISPs needing to be more vigilant in monitoring violations of IP rights.

Right holders benefit from a higher level of protection, but will not have the ability to dictate the extent or form of the blocking.

Guidance from the CJEU was that measures used to implement an injunction must be sufficiently effective to ensure genuine protection, must prevent unauthorised access to the protected material or have the effect of making it difficult to achieve, and seriously discourage internet users from accessing the content.

The court stressed the importance of balancing IP rights, the freedom to conduct a business and the freedom of information of internet users. Measures used to block a website must therefore be strictly targeted.

The referral came from an Austrian case: an application by IP right holders Constantin and Wega to order UPC (an ISP) to block the access of its customers to a website making available to the public, for either download or streaming, some of their films without their consent.

The Austrian courts held that, by providing its customers with access to content illegally placed online, UPC was an intermediary whose services were used to infringe the film producers' IP rights. The CJEU approved the Austrian form of injunction.

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