



Technology Annual Review

CMS Cameron McKenna: A month by month review of selected technology legal news from 2010

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Foreword

Welcome to CMS Cameron McKenna's Technology Annual Review. The Review contains short, easy to read articles on topics of interest over the year. Topics in this year's Review include: AdWords, Databases, System contracts, Software patents, Satellites, File sharing, Fraud, Cybersquatting, Cybercrime, Data protection, E-commerce, Online defamation, Human rights, Gambling, Guns, God, Pamela Anderson and more.

If you would like to discuss any of the articles in this year's Review or any technology, media or telecoms law issue you or your business is facing, or you would like to talk to us about the services we can provide both in the UK and across Europe, please do not hesitate to contact us. Our contact details are below.

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Smarter than a miniature schnauzer?

January

Usually IT cases are long on complex technical detail and short on court room drama and *BSkyB v EDS* would have been no exception without the intervention of a less-than-honest witness, a barrister with a sense of humour and Lulu, his dog. In January, judgment was made in the long running dispute - 18 months from the end of the trial and 10 years from the date of the contract on which it was based.

February

The traditional components of an IT dispute were all in place - allegations of unclear requirements, supplier's inability to perform and a lot of money. EDS (now owned by Hewlett Packard) contracted in 2000 to provide a Customer Relationship Management (CRM) system for BSKyB's customer contact centres in Livingston and Dunfermline, Scotland. The project ran into difficulty, and in early 2002 Sky terminated and in-house staff went on to complete the work. In 2004, Sky initiated proceedings against EDS on the grounds that it was falsely induced to enter into the contract during the tender stage because EDS misled it in terms of the project's estimated budget and time frame, and EDS' general ability to deliver. Sky made various claims in deceit, negligent misrepresentation/misstatement, breach of contract and others. EDS denied these allegations, and attributed the problems with the project to its unspecified scope.

May

Mr Justice Ramsey found that EDS had been fraudulent in its bid to win the business to supply and install the CRM software. It was held that EDS had deliberately misrepresented the estimated length of time needed to complete the project. BSKyB was also able to establish that, but for EDS' deceit, it would have contracted with PwC.

June

The initial contract value was in the region of £48 million and included a liability cap of £30 million. However, the liability cap did not apply to instances of fraud. Since, in this case, the court ruled that the misrepresentation was fraudulent, damages above the liability cap could be awarded. EDS therefore faced unrestricted damages, potentially including loss of profit, loss of cost savings and loss of business benefits. Sky initially claimed more than £700 million in damages, an interim award of £200 million was made and quantum was finally settled in June at £314 million - an amount far in excess of the exposure that EDS might have contemplated on entering the contract.

July

August

Fraud isn't easy to prove but BSKyB were assisted by EDS' second witness (and mastermind of its bid for the contract with BSKyB) who, under cross-examination, persisted in his assurances that the MBA he had achieved from Concordia College in the British Virgin Islands was genuine. The exchanges with Mark Howard QC, barrister for BSKyB, reached squirm-inducing levels of discomfort until the barrister revealed that his dog Lulu (a miniature schnauzer) also managed to win an MBA from the same college - albeit with slightly better grades. A masterful destruction of a witness' credibility which must have echoed throughout the whole trial.

October

November

Despite the whirlwind of coverage the case has stirred, no new law was created by it. However, it has demonstrated that existing principles may be applied robustly in future IT disputes and suppliers' minds have become more focussed on sales processes and the importance of ensuring that sales promises are delivered upon. Yet it is not in every case that the sums involved will encourage customers to pursue an allegation of fraud and not in every case that a supplier's witness will contribute to that finding with such devastating effect.

December

A good month for... thanking the jury

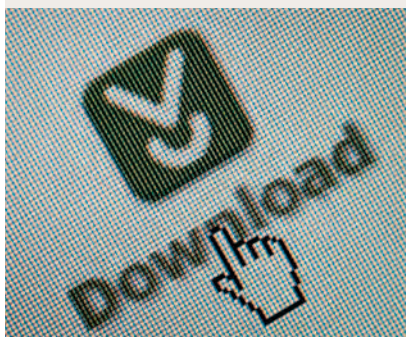
Alan Ellis, the founder of the music-sharing website OiNK was acquitted of a charge of conspiracy to defraud. OiNK helped its members to share music, charging \$5 for membership which was available by invitation only. OiNK allegedly facilitated the exchange of 21 million files between 2004 and 2007.

Although Mr Ellis was arrested for copyright infringement, ultimately he faced a single charge of conspiracy under the common law, namely that he 'conspired together with others unknown to defraud such persons as have an interest in musical works, sound recordings and in the performance of music by distributing infringing copies of musical works and sound recordings'. There were no proceedings brought against Mr Ellis under the Copyright, Designs and Patents Act or under the Criminal Law Act 1977 for statutory conspiracy.

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A bad month for... poor shredding

Shortly after shredded records of NHS patients were discovered in packaging material used to protect gift boxes the Ministry of Justice published its response to the consultation on setting a maximum penalty of £500,000 for serious data protection breaches. The response indicates that the majority of respondents supported the Government's suggestions and new regulations were laid before Parliament in January to implement the proposals. Subsequently approved in April, flexing of muscles by the Information Commissioner was eagerly awaited. The first fines were seen in November, more of which on page 25.



Belgian Court asks ECJ whether it can require ISPs to filter traffic

On 28 January 2010 the Belgian Court of Appeal referred two questions to the European Court of Justice (ECJ) in the case of *SABAM v Tiscali* on the issue of whether a national court is entitled to impose an obligation on an Internet Service Provider (ISP) to filter its internet traffic, and, if so, to what extent the national court has to consider the proportionality of the measure.

In the first instance decision in 2004, the Belgian Courts stunned the legal community by concluding that it could require an ISP to filter all internet traffic to block specific material being file-shared in breach of copyright. Many had believed that such an obligation would be inconsistent with Article 15 of the E-Commerce Directive (2000/31/EC) which states that Member States shall not impose obligations on service providers (such as ISPs) to monitor the information which they transmit or store, and Article 5 of the Privacy and Electronic Communications Directive (2002/58/EC) which prevents ISPs from compromising the confidentiality of customers' communications. Under Article 15(1) of the same Directive, Member States may only adopt legislative measures to restrict the scope of this obligation of confidentiality where it is necessary, appropriate and proportionate and many considered the imposition of a filtering obligation on an ISP to be disproportionate. If the injunction is upheld, it may pave the way for ISPs to be required to use filtering systems in other jurisdictions.

Similar issues will be considered in the UK in early 2011 when the High Court hears BT and TalkTalk's application for a judicial review of the Digital Economy Act. BT and TalkTalk are challenging obligations on ISPs to require them to take steps to reduce copyright infringement, on the grounds that they are inconsistent with the two Directives referred to above and are disproportionate.

Multiple squats

The World Intellectual Property Organisation (WIPO) upheld a bulk complaint by joint complainants Inter-Continental Hotels Corporation and Six Continents Hotels - both subsidiaries of the InterContinental Hotels Group (IHG) - against an individual who held 1,519 domain names containing terms that were the same, or similar to, trade marks owned by the hotels.

For an order to be made for the transfer of a domain name under the Uniform Dispute Resolution Policy (UDRP) of the Internet Corporation for Assigned Names and Numbers (ICANN), a complainant must demonstrate that:

- the domain name is identical to, or confusingly similar to, terms to which it has rights
- the current owner has no rights to the domain name
- the domain name was registered, and is being used, in bad faith.

The respondent was found to hold some 70,000 domain names, and of those in dispute, the majority contained clear references to trade marks and locations of the hotels' businesses.

The WIPO panel found that 'the use of the disputed domain names in this manner cannot be considered use in connection with a bona fide offering of goods or services', and that 'attempting to attract internet users through misuse of a well-known trade mark, and the provision of links which promote goods and services competitive to [IHG], cannot be considered a bona fide use.' The WIPO panel also held that the fact that the respondent owned so many domain names that operated in this way was evidence that he was acting in bad faith.

RIM v Motorola

January

In February a number of important issues were addressed in this patent case. Motorola brought an infringement action against Research in Motion (RIM) in respect of Motorola's patent. The patent related to a wireless radio communication process in which a user can control a mobile user device based on commands translated into a subscriber device readable language at a fixed messaging gateway. RIM's Blackberry Enterprise Solution (BES) and Blackberry Internet Solution (BIS) allow retrieval of e-mail from a mail server, identify the mobile network of the intended recipient and send an internet protocol version to the network for forwarding to the recipient. RIM denied infringement and counterclaimed for invalidity.

February

March

On construction the court applied the Kirin-Amgen/Technip rules of construction to determine what the skilled person would have understood the proprietor to have intended, given the formulation of the claim. Unusually, the parties disputed what was disclosed by the patent, especially in relation to the disclosure of application level command translation, which Motorola argued was encompassed by the wording of the feature of the claim, and that this feature represented 'a new way of thinking'. The court cited the case of *Hewlett Packard GmbH v Waters Corp* which said 'imaginative reconstruction' of a disputed patent was inappropriate and found in favour of RIM, stating that the patent did not state at which level the translation occurred and that application level command translation was not disclosed at all by the patent.

April

May

June

On infringement, the court found that, even if Motorola's construction of the claim had been correct, then the claim would have been infringed by RIM's BES arrangement, but not by the BIS arrangement, as the server in the BIS arrangement was located in Canada, not in the UK.

July

On the supply of essential features of an invention, the relevant case law, *Menashe Business Mercantile Ltd v William Hill Organisation* provides a test which asks (i) who uses it and (ii) where is it used. The court applied the same test to Motorola's process claim, with answers 'RIM' and 'in Canada' for the BIS arrangement, for which consequently no infringement occurred (based on Motorola's incorrect construction). On a correct construction of the claim, neither the BES or BIS arrangements would have represented an infringement.

August

September

In respect of invalidity and common general knowledge, Motorola argued that the application level command protocol conversion was considered to be novel in view of the prior art. However, the court held that this feature was not inventive in the light of the prior art and also not inventive in light of the common general knowledge alone. The subject matter of the patent was therefore found to be non-patentable and the patent was held to be invalid.

October

November

The identification of the skilled person's common general knowledge is noteworthy in this case, because it shows that non-published correspondence may be used as evidence supporting the case that a particular teaching was common general knowledge. RIM produced an e-mail pre-dating the priority date and disclosing application level command protocol conversion; Motorola said that the e-mail was a 'very obscure document' and could not support the argument that application level command protocol conversion was within the common general knowledge. The court said it was important to distinguish between information known by some, or perhaps by many, and information which forms common general knowledge. In any case, based on the e-mail and six other documents provided by RIM (all published), the court concluded that the application level translation was common general knowledge – it is less clear if the same decision would have been reached in the absence of the six other documents.

December

A good month for... Australian bankers

Interest rates shot up as 'Dave the Banker' was caught reviewing racy photographs of model Miranda Kerr during a live Seven News television broadcast from the trading floor at Macquarie Bank in Sydney. First thoughts were of the bank's acceptable use policy for technology as an investigation was launched into Dave's actions amid rumours that he was set up by a colleague. An internet campaign was launched to save Dave's job and Miranda herself joined in backing him. After their internal investigations had concluded the bank confirmed 'he will remain an employee of Macquarie. Macquarie and the employee apologise for the offence that he may have caused'.

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A bad month for... Google execs

In a case that caused considerable consternation to Internet Service Providers, three Google executives were convicted in a court in Milan for failing to comply with the Italian privacy code following the posting of a video clip on Google's video service which showed an autistic boy being bullied. Google argued that it removed the video immediately after being notified by the Italian authorities of its existence and, therefore, avoided liability. However, by the time of the notification, the video had remained on Google's site for two months, even though several web users had posted comments asking for it to be removed. It appears that these prior notifications and a purported failure adequately to notify users that they should not upload personal data without consent were determining factors in the case.



The changing nature of data processing

February saw the adoption by the European Commission of a formal Decision (2010/87/EU) updating the standard contractual clauses for the transfer of personal data to processors established in countries outside the European Economic Area (third countries). The Decision modifies the current controller-to-processor clauses contained in Commission Decision 2002/16/EC so that, from 15 May 2010, EU data controllers must use the new standard contractual clauses in contracts that govern their overseas transfer of personal data to data processors in third countries.

Under the new model clauses the data processor is permitted to sub-contract its processing operations to a sub-processor, provided it has obtained the prior written consent of the data controller. The data processor must enter into a written agreement with the sub-processor in which the sub-processor will be subject to the same obligations as those imposed on the data processor under the new standard contractual clauses.

Data controllers that had entered into export arrangements with data processors before 15 May 2010 may continue to export personal data under those existing arrangements, except where the nature of the processing changes, and in such cases, the new standard contractual clauses should be used.

Overall, EU data controllers and experts have welcomed the new regime as a better reflection of the modern realities of outsourcing arrangements in which, increasingly, processing operations are sub-contracted to sub-processors in third countries.

Ban on product placement to be lifted

Product placement is now allowed on British television following a Government announcement in February 2010. The Audiovisual Media Services Directive 2007 (the Directive) allows Member States to introduce product placement within certain limits in 'cinematographic works, films and series made for audiovisual media services, sports programmes and light entertainment programmes' provided that no product is given undue prominence, there is no direct encouragement to purchase and content and scheduling are not influenced by it.

Product placement will not be permitted in news, current affairs, documentaries, consumer, children's or religious programmes and in relation to prescription medicines, tobacco products, alcohol, food and drinks high in fat, salt and sugar, infant formula, over-the counter medicines and gambling products. These restrictions reflect provisions of the Directive and the Government's desire to balance economic interests, editorial integrity and health and welfare issues. BBC licence funded programmes will remain unaffected by the new rules.

Ofcom has now completed a consultation on detailed changes to the Broadcasting Code concerning product placement, advertising and sponsorship which will come into effect on 28 February 2011. In particular, where product placement must be signalled, this is to be done by means of a universal visual logo, to be issued by Ofcom in January 2011.

While broadcasters have generally welcomed the move, some have criticised the conservative approach taken, arguing that UK audiences are regularly exposed to product placement by popular USA shows, and so permitting widespread product placement in British-made programmes would have limited adverse impact but would allow UK broadcasters to share the financial benefits currently enjoyed by their USA counterparts.

Nonetheless, this is a landmark decision that departs significantly from the previous blanket prohibition on product placement on television. This is likely to remain a controversial issue. The wider impact on television advertising and broadcasting is yet to be seen.

ECJ on Google AdWords

January

In March the European Court of Justice (ECJ) handed down its long-awaited judgment in relation to the question of whether or not Google's 'AdWords' system, which allows the sale of keywords to trigger sponsored advertising links on its search engine, could amount to trade mark infringement.

February

In a dispute involving Google and luxury goods maker Louis Vuitton Moët Hennessy (LVMH), the ECJ found that the purchase and sale of keywords which were third party trade marks was not, of itself, trade mark infringement. However, if the display of the sponsored advertising link could mislead an 'average internet user' as to the origins of the goods/services, it may result in an infringement by the advertiser. The ECJ provided guidance on three substantive issues:

March

The 'use' of third party trade marks as keywords

April

The ECJ distinguished between the 'use' of the mark by Google in allowing the keyword to be registered and the 'use' made by the advertiser who purchases the keyword in order to generate advertising by sponsored links. The former use does not result in infringement, as whilst engaged in commercial activity for the offer and sale of keywords, Google does not in itself "use" those words in its own commercial communications. The latter, however, could.

May

The effect of such use on the trade mark

June

In relation to the 'essential function' of the trade mark, being the ability to identify the origin of goods/services, this may be adversely affected if the sponsored link advertisement does not enable an 'average internet user' to identify the origin of the advertisement. This is also the case if it can only be identified 'with difficulty'.

July

The ECJ also considered the effect of keywords on the "advertising function", the use of the trade mark in sales promotion or commercial strategy in general. The court did not consider that using a third party trade mark as a keyword in a referencing service would have an adverse effect on the advertising function of the trade mark, as typically, the proprietor's home page would also appear in the list of the 'natural' results, so would be visible to Internet users regardless of keyword advertising.

August

Google's liability as the 'referencing service provider'

September

The Court concluded that the AdWords service that Google provides to advertisers fell within the definition of an 'information society service' under the E-Commerce Directive. Google could not, therefore, be held liable for the potential unlawful conduct of the advertisers if it did not have notice of the unlawful conduct.

October

However, the Court went on to say that if an internet referencing service provider has not played an active role which would give it knowledge of, or control over, the data stored, it cannot be held liable for the data, unless it has knowledge of the infringement and does not remove the infringing data. The Court made it clear that the mere fact that Google receives remuneration for the service and provides general information to clients does not (alone) prevent it from benefiting from the exemption.

November

December

Both Google and LVMH have claimed this decision as a victory, but the fact that the controversial and lucrative AdWords system has survived such close scrutiny by the ECJ means it is a hugely important decision for all brand owners in Europe.

A good month for... bringing things to an end

In *BMS Computer Solutions Ltd v AB Agri Ltd* the High Court ruled on the interpretation of a software licence (entered into together with a support agreement) which had been varied to become a 'perpetual' licence. The support agreement was terminated which, on the face of it, triggered termination of the licence. AB Agri argued, however, that the use of the term 'perpetual' overrode the relevant termination provisions of the licence. The court held that the word 'perpetual' could carry different meanings but in this context meant 'operating without limit of time' but subject to any terms governing termination of the licence.

A bad month for... saying 'welcome' to the machine

The High Court ruled in favour of Pink Floyd in the correct interpretation of their record contract with EMI. Signed before digital downloads were envisaged, the contract provided that individual songs must not be sold without the band's permission - to 'preserve the artistic integrity of the albums'. EMI had argued that the contractual stipulation applied to a physical product rather than online distribution.



Online indexing service jointly liable for copyright infringement

In a case brought by major film companies including Twentieth Century Fox, the High Court held in March that a company which sorted and indexed web links to facilitate downloading by end users of films could be held liable themselves for copyright infringement.

The Defendant owned and operated the website Newzbin, which catalogued and indexed files posted on a file sharing and discussion system called Usenet. Newzbin argued that it operated simply as a search engine like Google. In reaching judgment the Court had to consider whether Newzbin was authorising acts of infringement; whether they were jointly liable with their users for procuring an infringement of copyright; and whether they were infringing the right of communication to the public under s.16(1) of Copyright Designs and Patents Act 1988.

The Court found that the downloading facility Newzbin provided was bound to result in that work being copied as it provided a means for infringement; was created by the Defendant; and was entirely within the Defendant's control. It also concluded that the Defendant was well aware that infringing copies of films were being made available to its premium members via Newzbin and that the service was not remotely passive.

The Court refrained from granting an injunction in the scope sought by the Claimants which was 'to restrain Defendants from including in its indices or databases entries identifying any material posted to or distributed through any Usenet group in infringement of copyright', favouring a more limited injunction restraining the Defendant from infringing the Claimants' copyrights in relation to their repertoire of films only.

Good and bad for website hosts

March saw some useful guidance on internet liability in *Kaschke v (1) Gray and (2) Hilton* [2010] EWHC 690 (QB). Johanna Kaschke, active in local politics, claimed that a post made by the first defendant, John Gray, on the political internet blog of Alex Hilton, the second defendant, contained allegedly defamatory material. Mr Hilton claimed that, although he ran the internet blog, he did not moderate all of the articles that were posted on it. He argued that he should, therefore, qualify for the defence granted to an information society service provider under Regulation 19 of the E-Commerce Regulations in relation to hosting user-generated content. Although the High Court dismissed the appeal (which sought summary judgment against the claimant) there were some encouraging findings for website hosts.

Justice Stadlen said that the court will look at the specific material complained of – rather than the website as a whole – in determining whether the defence under Regulation 19 is available. The fact that a website host operates services that he does not monitor alongside services that he does monitor does not automatically deprive him of a defence under Regulation 19. It is, therefore, possible that the defence available under Regulation 19 may apply to individual posts. However, Justice Stadlen held that a full trial would have to be conducted in order to decide that point in these particular circumstances.

The positive news for hosts is balanced by the confirmation that their best chance of maintaining a defence under Regulation 19 still appears to be a practice of not monitoring or moderating possibly contentious content and reacting quickly to remove material immediately a complaint is received.

The Digital Economy Act

January

The Digital Economy Act 2010 (DEA) was passed into law in April 2010 and was designed to implement several disparate strands of Government policy arising from the 'Digital Britain' white paper published in June 2009. These include imposing new obligations upon Ofcom to report on the state and development of electronic communications infrastructure. The Act grants the Secretary of State new powers in relation to internet domain registries, empowers Ofcom to appoint and fund providers of local news services and provides for the regulatory framework necessary for the delivery of a switchover of radio services to Digital Audio Broadcasting. It also empowers Ofcom to oversee the allocation of freed-up spectrum available for next generation mobile broadband services, known as the 'Digital Dividend' and it requires video games to be classified with age restrictions.

February

March

April

However the DEA attracted the most headlines because it also includes controversial provisions to punish and prevent copyright infringement, including peer-to-peer (P2P) file-sharing.

May

Under the DEA, Internet Service Providers (ISPs) will be required to process copyright infringement reports produced by rights holders, to notify subscribers that their accounts have been associated with copyright infringement, and to keep anonymised lists of those subscribers associated with copyright infringement to be provided to rights holders at their request. Personal details will only be handed over on receipt of a court order. These are known as the 'Initial Obligations'.

June

If the Initial Obligations prove ineffective at significantly reducing online copyright infringement, the DEA contains further powers allowing the Secretary of State to require ISPs to impose 'technical measures' against subscribers accused of multiple infringements – such technical measures could include disconnection of the accounts of internet subscribers.

July

August

The DEA also grants the Secretary of State a power to draft new regulations to enable the Courts to grant injunctions against ISPs ordering them to block access to websites associated with copyright infringement. The basis on which the Secretary of State will be able to draft such regulations is very broad, so as to govern court injunctions in respect of any 'location on the internet' which 'has been, is being or is likely to be used for or in connection with an activity that infringes copyright'. In addition the DEA grants the Secretary of State the power to 'make different provisions for different purposes' and to alter sections of the Copyright Designs and Patents Act 1988 which relate to remedies for infringement. If these injunctions are made available through secondary legislation they may threaten the existence of websites which rely heavily on content provided by third parties or user generated content.

September

October

Since the DEA has been passed the Government has consulted and decided on the allocation of costs associated with the Initial Obligations (broadly a 75:25 split with rights holders paying the majority of the bill and ISPs paying the rest) and Ofcom has consulted on an industry code to govern them.

November

December

The legality and credibility of the new regime will face a stiff test in early 2011 when the High Court hears BT and TalkTalk's application for a judicial review of the DEA. BT and TalkTalk are challenging the new law on the grounds that the obligations on ISPs are inconsistent with the E-commerce Directive (2000/31/EC) the Privacy and Electronic Communications Directive (2002/58/EC) and are disproportionate. If the DEA can survive this challenge, it may still go on to achieve its elusive goal of moving consumers of online media towards legitimate paid for content.

A good month for... web shoppers

Although web shoppers must continue to pay for the cost of returning unwanted goods, the Court of Justice of the European Union has confirmed in a reference from a German court that delivery costs should be refunded when a consumer exercises their right of withdrawal. The Court held that the Distance Selling Directive imposes on the supplier, in the event of the consumer's withdrawal, a general obligation to reimburse which covers all of the sums paid by the consumer under the contract, regardless of the reason for their payment.

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A bad month for... web scrapers

Website scraping involves the automatic copying of data from third party websites. Typically aggregator sites will use these techniques to bring together quotes for costs of eg flights or insurance. Some suppliers feel aggregators can be beneficial and allow the practice, others do not. Where suppliers do not specifically allow scraping there is a question mark over its legality. An important issue is whether a website's terms and conditions could be binding on scrapers - in a case involving Ryanair in Ireland it was held that they could whilst an Ohio court ruled in a separate matter that a similar issue should proceed to full trial. In the absence of specific case law in the UK, at least in certain circumstances it is likely that database rights can be used most effectively against unlicensed scraping.



Football fixture lists protected by database copyright

The High Court found in *Football Dataco Limited & Ors v Britten Pools Ltd* that football fixture lists, while not capable of protection by database right, could enjoy protection as copyright works.

The European Court of Justice (ECJ) had previously decided that neither the obtaining, verifying nor the presentation of the contents of a football fixture list involved a substantial investment, concluding that there was no database right to be protected. However, this decision, while not detracting from the ECJ's judgments, finds a way to protect databases which will be welcomed by database right holders, particularly other sporting associations, as it is more likely to mean that third party users will need licences to exploit their information.

For a database to qualify for copyright protection it must "*by reason of the selection or arrangement of the contents of the database*" constitute the author's own intellectual creation. The Court differentiated between database right and copyright in databases stating that 'the purpose of copyright is to provide encouragement for creative endeavour, and differs in that respect from the sui generis right which is designed to encourage investment in particular types of data gathering'. The Court concluded that 'selection' or 'arrangement' was not limited to selection or arrangement performed after data is created, commenting that the process can, and often does, start before all of the data is created.

Further, the Court found that the author must exercise judgement, taste or discretion and that mere 'sweat of the brow' will be insufficient for copyright protection. The Court made reference to the relevant work here being highly complex, for example, illustrated by the fact that no two fixtures could be freely changed without affecting others.

Following appeal of this decision in December, two questions were referred to the ECJ to determine whether the Database Directive (96/9/EC) (the Directive) precludes the application of national rights other than those provided for by the Directive and to clarify the meaning of 'database' under Article 3(1) of the Directive.

eBay seller found guilty of shill bidding

This month, North Yorkshire Trading Standards secured a conviction against an eBay seller who used a second account to (i) bid on his own auctions to drive up the prices - known as 'shill bidding'; and (ii) leave positive feedback about himself, misleading bidders to boost his reputation - known as 'sock puppetry'.

The defendant admitted ten offences under the Business Protection from Misleading Marketing Regulations 2008 and the Consumer Protection from Unfair Trading Regulations 2008. Each of the seller's actions were among the 31 types of commercial practices considered 'always unfair' under the Regulations, even where they have no effect on the purchasing decision of the consumer to whom they are directed. It is unsurprising that criminal liability should attach to shill bidding, but there are aspects of this case that are of broader interest.

First, the fact that Trading Standards found it relevant that Mr Barrett was engaged in sock puppetry is a reminder to companies conducting viral or word of mouth marketing to take care that any messages they, or people acting on their behalf, leave on blogs or e-commerce websites relating to their own products or services are clearly identified as marketing messages and not mistaken as independent comments.

Secondly, the eBay seller appears to have been held liable as a 'trader' under the Regulations, despite his eBay sales appearing to be only distantly related to his main business. This suggests that Trading Standards are taking a broad approach to the definition of 'trader' under the Regulations. Traders should not therefore assume that the fact that they are operating outside their main business excuses them from complying with the Regulations.

Red Sky in May

January

It has been an instructive, if troubling, year for those seeking to rely on exclusion clauses in IT contracts (see also pages 4 and 17). In May a decision of the High Court in *Kingsway Hall v Red Sky* highlighted further issues on enforceability.

February

Kingsway operated a chain of hotels and was supplied by Red Sky with a system called Entirety for managing reservations and billing. Kingsway encountered problems with the software almost immediately and, after the problems were not rectified, rejected the software five months after installation and brought an action against Redsky on the basis that the software breached implied contractual terms as to satisfactory quality and fitness for purpose. Damages claimed were for the cost of replacing Entirety, costs of hiring extra staff to cover for the ineffective system and financial loss caused by the system misreporting available rooms.

March

April

Kingsway had licensed Entirety from Red Sky under their standard terms and conditions which Red Sky sought to rely upon to exclude implied terms and cap their liability for loss. Relevant clauses from Red Sky's standard terms and conditions were summarised in the judgment:

May

- Clause 10.1 excluded all terms as to performance, quality, fitness for purpose etc except as provided in clause 10.2.

June

- Clause 10.2 contained an express warranty that 'the programmes [sic] will in all material respects provide the facilities and functions set out in the Operating Documents' (defined in clause 1.1.6 to include 'any operating documents supplied by the defendant to the claimant.')

July

- Clause 10.7 provided that clause 10, together with clause 18 stated the entire liability of the defendant in respect of any fault or error in the IT system.

- Clause 18 contained limitations and exclusions of liability as follows:

- i) Clause 18.3.2 excluded liability for any indirect or consequential loss. The term expressly excluded loss of profits and similar losses.
- ii) Clause 18.3.3 limited liability for direct loss to four times 'Total Price'.

August

The Court found that the application of Red Sky's exclusions were predicated on customers satisfying themselves as to the fitness for purpose of the software after viewing demonstrations and, crucially, reading the Operating Documents referred to in clause 10.2. In fact this documentation had not been supplied to Kingsway and they had relied on Red Sky's advice in deciding to purchase the software. Therefore, in these circumstances, the exclusions and limitations did not apply.

September

In any event the court found that the exclusion would fail the reasonableness test under the Unfair Contract Terms Act on the basis that:

October

- The parties were not of equal bargaining power.
- Kingsway and Red Sky bargained on price [but] Kingsway did not receive any inducement to agree Red Sky's standard terms.
- On the facts, it is not correct that there was a long course of dealing between the parties such that Kingsway ought to have known the existence of and the extent of the terms.
- This was not bespoke software.

November

December

Given that contractual terms as to quality and fitness for purpose could therefore be implied, the court held that Kingsway were justified in rejecting the software and claiming losses which were awarded in the sum of £110,997.54.

A good month for... Spooks

The European Court of Human Rights in Strasbourg (ECHR) rejected an applicant's claim that the Regulation of Investigatory Powers Act 2000 (RIPA) was incompatible with the right to 'respect for his private and family life, his home and his correspondence' under Article 8 of the European Convention on Human Rights. Under Article 8(2) the right may be interfered with '...in the interests of national security or the prevention of crime'. Whilst the ECHR said that an individual might, under certain conditions, claim to have their rights infringed as a result of the mere existence of secret electronic surveillance measures, even if they were not applied to him, it found RIPA to be sufficiently clear as to the circumstances in which it applied to fall under Article 8(2).

A bad month for... Slurps

Google had always acknowledged that their Street View cars collected address data for open Wi-Fi networks in an effort to improve their geo-location database. In May it was acknowledged by the company that the Street View scanning had also collected content passing over those networks which, it turned out, included a limited number of e-mails, URLs and passwords (so-called 'payload data'). In so doing a storm of controversy was unleashed and the attention of data protection regulators throughout the world focussed in on Street View activities. In the UK the Information Commissioner's Office (ICO) response to the data slurping admission flip-flopped slightly before settling on a requirement that Google undertake to improve its approach to data protection and make themselves available for ICO audit.



Patentability of computer programs

The decision by the Enlarged Board of Appeal of the European Patent Office (EPO) on the patentability of software and business methods, arising from a referral by the EPO president, found that Boards of Appeal decisions represented a 'legitimate development of the case law' and that the president's referral was inadmissible.

The EPC states that programs for computers as such are excluded from patentability. The 'as such' qualifier means that, while an invention consisting of pure software is excluded from patentability, an invention which implements a software-based concept may be patentable, depending on the implementation.

The UK's test for exclusion is set out in the Symbian decision, based on the contribution approach, and requires the identification of the contribution to the art of the alleged invention, then determines whether the contribution is within the exclusion (eg not pure software per se) and finally checks if the contribution is technical in nature – contributions which are not excluded and are indeed technical may be patentable.

The EPO has dropped the contribution approach and applies a 'further technical effect' approach. It stresses the distinction between two hurdles for the grant of patent, one relating to the requirement for novelty and inventive step, the other setting out exclusions to patentability. The Enlarged Board confirmed the two-part approach for determining the patentability of a computer-implemented invention: an exclusion test, followed by a separate and distinct test for inventive step. The Enlarged Board didn't provide over-arching guidance on exclusion, but provided indicators on certain discrete issues. The claim form is relevant, formulations such as 'a computer-implemented method x' and 'a computer program product storing executable code for method x', being potentially patentable. Explicit mention of the use of a computer or a computer-readable storage medium or demonstrating a technical effect on a real physical entity may be sufficient to avoid the exclusion.

Loaded in poor taste shock

In May the Press Complaints Commission (PCC) rejected a woman's complaint that an article published in Loaded magazine breached privacy provisions in the Editors' Code of Practice. The article featured photographs of the complainant which had been taken from the internet and offered readers of the magazine a reward of £500 for assistance in encouraging her to do a photo shoot with it.

Whilst the photos had been uploaded to the woman's Bebo page in 2006 when she was only 15 years old it was clear that at the time of the complaint the images had been widely circulated on the internet and the magazine did not obtain the pictures from Bebo. In the circumstances the PCC acknowledged that her young age at the time the photos were taken meant the article was in poor taste but did not breach its Code and the formal adjudication stated:

'...the Commission wished to make clear that it had some sympathy with the complainant. The fact that she was fifteen-years-old when the images were originally taken - although she is an adult now - only added to the questionable tastefulness of the article. However, issues of taste and offence - and any question of the legality of the material - could not be ruled upon by the Commission, which was compelled to consider only the terms of the Editors' Code. The Code does include references to children but the complainant was not a child at the time the article was published'.

Therefore, the test was whether the publication intruded into the complainant's privacy and, in the Commission's view, the information, in the same form as published in the magazine, was so widely available that its republication did not raise a breach of the Code.

Online Behavioural Advertising

January

In June, the EU Article 29 Data Protection Working Party (Working Party) published its Opinion in relation to online behavioural advertising (OBA), which allows advertisers to track users' online browsing. The Opinion discussed the legality of current OBA techniques and made recommendations as to the way in which OBA is used.

February

In particular, the Working Party suggested that the use of cookies in order to deliver personalised advertising may be incompatible with the E-Privacy Directive (2002/58/EC) which has recently been amended so that the use of cookies is only allowed if the user concerned has given '...consent having been provided with clear and comprehensive information...about the purposes of the processing'. Contained in the Opinion were a number of recommendations for achieving compliance - a summary is set out below.

March

April

Informed Consent - Informed consent should be obtained before setting the cookie; opt-out mechanisms are generally not adequate. Network providers should create prior opt-in mechanisms allowing informed, valid consent. These should require an affirmative action indicating willingness to receive cookies and accepting subsequent monitoring of surfing behaviour to allow sending tailored advertising. In addition, information about the purpose of the information collection should be provided to users before the opt-in is exercised. It must also be possible for the user to revoke consent. It was suggested that current industry practice of seeking implied or general consent through browser settings predetermined to accept all cookies would not comply because the consent would neither be specific, nor prior to the data processing.

May

June

July

Repeated requests - The Working Party noted that there would be significant practical issues if network providers were required to obtain consent from individual users every time a cookie was read. It recommended that a user's acceptance to receive a cookie could constitute acceptance for subsequent readings of the cookie, and hence subsequent monitoring. However, to ensure that users remain aware of the monitoring over time, and to prevent acceptance being unlimited in duration, advertising network providers should: i) limit in time the scope of the consent; ii) offer the possibility for users easily to revoke consent; and iii) use a symbol or similar which should be visible on all web sites where monitoring occurs.

August

September

Purpose of information - Network providers must ensure that individuals are told which entity is responsible for serving the cookie and collecting information. They should also be informed in an accessible, highly visible manner: (a) that the cookie will be used to create profiles; (b) the type of information that will be collected; (c) that the profiles will be used to deliver targeted advertising; and (d) that the cookie will enable the user's identification across multiple web sites.

October

November

Comment - The Opinion provides no detail on specific measures to implement in order to achieve compatibility with data protection legislation, however, views from the industry were invited. In the US, advertising trade bodies have created self-regulatory principles for the use of OBA including use of a standard icon to show that behavioural tracking is taking place and provide an opt-out mechanism. The Interactive Advertising Bureau in the UK is working on a similar scheme with the aim of rolling out a consistent, global icon.

December

The amended E-Privacy Directive must be implemented in Member States' national law by 25 May 2011. It remains to be seen how each country will implement the new provisions, and to what extent they will follow the Working Party's interpretation.

A good month for... anti-spammers

Spamhaus is an international non-profit organisation which tracks spam operations. Internet service providers make use of its blacklist to block junk e-mails sent by alleged spammers. In 2006 an action was filed against Spamhaus by a company included on its blacklist. Spamhaus failed to defend the action on the basis that the US court lacked jurisdiction but found itself on the wrong end of a default judgment for \$11.7 million. Following attempts to collect the award Spamhaus appealed the judgment and in June the appeals court held that the claimed damages had been massively overestimated reducing damages to only \$27,000.

A bad month for... the grip of death

Reports began to emerge in June of the new iPhone 4 losing signal strength and Apple's response indicating how to hold their new phone correctly (avoiding covering the bottom left corner of the phone with naked flesh) did nothing to avert a snowballing PR disaster. As job adverts for antenna engineers appeared on Apple's website, Steve Jobs' initial poo-pooing of the problem was replaced with an offer of a free iPhone case or a full refund. Most customers took the case.



Fair bet?

An important judgment for the online gambling industry in June as the European Court of Justice (ECJ) ruled on whether Member States could ban the operation of gambling companies from other EU countries and licence gambling operations without competitive tendering. The issues arose from two cases brought by Ladbrokes and Betfair respectively.

De Lotto, which held the Dutch licence for sports-related prize competitions, brought an action against Ladbrokes to prevent its operation in the Netherlands without a licence. With an injunction granted against them, Ladbrokes appealed and the Dutch Supreme Court referred questions to the ECJ.

Betfair sought to have its UK licence recognised in the Netherlands and challenge the Dutch gambling authority's decision to renew gambling licences in the Netherlands without giving them an opportunity to obtain a licence via competitive tendering.

Article 49 of the Treaty on the Functioning of the European Union promotes the freedom to provide services, however, Article 46(1) allows restrictions justified on the grounds of public policy, public security or public health. Against that background the Court held that failing to open up the grant of a gambling licence to competitive tender may be justified where a member state decides to grant a licence in favour of either 'a public operator whose management is subject to direct state supervision or a private operator whose activities are subject to strict control by the public authorities'.

Citing a lack of harmonisation in the EU in relation to internet gaming the Court also held that Betfair's UK licence was not necessarily sufficient to allow it to operate in the Netherlands.

Safe Harbor in US for YouTube

June saw summary judgment in the US District Court for the Southern District of New York on the billion dollar action brought by Viacom against YouTube in relation to the hosting of copyright infringing material by the Google-owned behemoth.

As in the UK, internet service providers in the US are protected from liability – in their jurisdiction under the Digital Millennium Copyright Act - which affords those who host potentially infringing material 'safe harbor' if the service provider does not have actual knowledge that the material is infringing and has procedures in place for the receipt of notification and the removal of infringing material. Notwithstanding the application of the safe harbor provisions, Viacom brought the action arguing that Google was aware, in a general sense, that copyright infringement was occurring and that it profited from that infringement.

In reaching judgment the Court focussed on whether specific knowledge of individual infringements was required to bring service providers outside the safe harbor provisions holding that 'Mere knowledge of prevalence of such activity in general is not enough' and found in favour of Google.

Viacom's intention to appeal was announced immediately following the judgment and initiated later in the year. Nevertheless the decision provided comfort to service providers in the EU especially after it was echoed, to a smaller extent, when the Spanish Courts cleared YouTube of copyright infringement after users uploaded video material from Spanish television station Telecinco.

Following the Spanish judgment YouTube commented: 'this decision reaffirms European law which recognizes that content owners (not service providers like YouTube) are in the best position to know whether a specific work is authorised to be on an Internet hosting service and states that websites like YouTube have a responsibility to take down unauthorised material only when they are notified by the owner'.

A landmark decision on satellite spectrum

January

On 30 July 2010, the Administrative Court delivered judgment in the UK's first judicial review concerning a decision by the Office of Communications (Ofcom) on radio frequency spectrum for satellite communications.

February

The decision in *ICO v Ofcom* concerned an application by ICO Satellite Limited (ICO) for judicial review of a decision by Ofcom to request the International Telecommunication Union (ITU) to cancel ICO's spectrum assignment in the Master International Frequency Register (MIFR) for the ICO-P mobile satellite communications network (Ofcom's Decision). All three grounds of ICO's challenge were rejected by the Court.

March

For satellite communications operators, the decision highlights three key issues.

April

- The role of Ofcom, as the ITU national administration in the UK, to monitor and ensure the efficient use of ITU spectrum assignments by operators.
- The provisions of the Procedures for the Management of Satellite Filings (Guidance) permitting Ofcom to request the ITU to cancel a spectrum assignment if Ofcom considers that the operator concerned has failed to make sufficient progress in bringing the spectrum assignment into use.
- The need for operators to engage with Ofcom, including satisfying Ofcom's due diligence and information requirements under the Guidance, which go beyond the requirements of the ITU Radio Regulations.

May

June

More generally, the decision demonstrates the commercial value of spectrum; a scarce yet critical resource for communications operators, and the policy objective of ensuring the rational, economic and efficient use of the resource.

July

The *ICO v Ofcom* decision - ICO benefitted from an ITU spectrum assignment in the MIFR on the basis that the ICO-P network, comprising 12 satellites, would be 'brought into use' within a specified timeframe. However, ICO was unable to meet the criteria in its business plan due to various intervening circumstances, including a US lawsuit brought by ICO against the manufacturer of the ICO-P satellites. On several occasions, Ofcom asked ICO to provide evidence to demonstrate that ICO had contracts in place to complete and launch the remainder of the ICO-P network satellites and the necessary funding to finance the operation of the ICO-P network. ICO failed to satisfy Ofcom that there was a reasonable expectation that it could bring the network into use in accordance with its business plan.

August

September

ICO sought judicial review of Ofcom's Decision on three grounds: (1) that Ofcom had regard to an irrelevant factor; (2) that Ofcom failed to have regard to relevant considerations; and (3) that Ofcom's Decision was disproportionate.

October

In rejecting all three grounds, the Administrative Court made the following key findings.

November

- Ofcom was entitled under the Guidance to require ICO to evidence its progress in bringing the ICO-P spectrum assignment into use, and Ofcom's Decision was made on the basis of ICO's failure to respond to Ofcom's information requests.
- There is nothing in the ITU Radio Regulations or the Guidance which: (a) requires Ofcom to consider whether prejudice was caused to third parties in maintaining, rather than cancelling, a spectrum assignment; or (b) states that the financial impact of the cancellation of a spectrum assignment to the operator is a relevant consideration - ICO's investment of over \$3 billion did not give immunity from cancellation.
- Where a national administration considers that a spectrum assignment is not, nor will not be, efficiently used, then neither retention nor modification of the filing at the ITU level would be appropriate; cancellation is necessary and there was 'no other effective remedy available'.

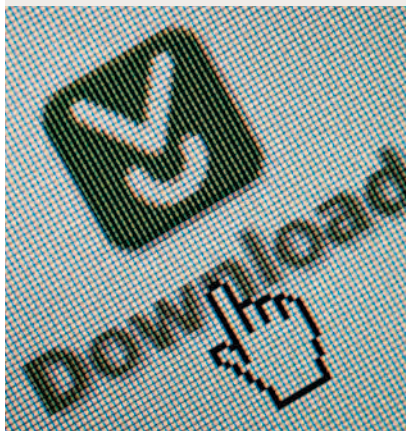
December

A good month for... Atheists

A website at www.godblock.com appeared purporting to provide a downloadable 'web filter that blocks religious content' to protect internet users from religious indoctrination. Aimed, the site says, at concerned parents, 'GodBlock will test each page that your child visits before it is loaded, looking for passages from holy texts, names of religious figures, and other signs of religious propaganda. If none are found, then your child is allowed to browse freely'. To this day attempting to download the software brings the message 'We're sorry! GodBlock isn't ready yet. But please join the mailing [list] and we'll let you know as soon as it is'. As yet there is no evidence as to its actual existence.

A bad month for... battling Zeus

In a year which saw attempts to tackle cybercrime take on a new degree of urgency (see page 21), cybercriminals stepped up their own efforts in the evolving market for crimeware. A new version of the infamous Zeus crimeware toolkit was released facilitating the theft of login details for Spanish, German, UK and US banks. The latest versions make it harder for security specialists to find out what the malware is doing and the release demonstrates worrying parallels with market practice in the legitimate software industry – providing upgrades and focussing on key geographical markets.



Effective technical measures defeat pirates

In July the High Court gave summary judgment in a case clarifying the position on the sale of technology required to play pirated games. Games are often downloaded from file sharing sites in a similar manner to music and films but often require specific technology – mod chips – to enable their use on consoles. This is because manufacturers of consoles implement copy-protection measures designed to prevent widespread copying of games.

The case concerned devices designed to fit into slots on Nintendo's consoles and circumvent their security measures. These R4 cards were imported and sold by the defendants, Playables. In reaching judgment the court considered the application of sections 296 and 296ZD of the Copyright, Designs and Patents Act 1988 (CDPA).

Section 296 of the CDPA applies to a computer program on which a technical device for copy protection has been implemented. The section provides for copyright infringement action against those who distribute the means to facilitate the unauthorised removal or circumvention of the device if they know or have reason to believe that it will be used to make infringing copies. Evidence was provided by Playables that there were lawful uses for the R4 cards particularly in relation to home-made games, however, Justice Floyd held on the facts that the mod chips had the sole intended purpose of circumventing Nintendo's technical devices.

Section 296ZD of the CDPA applies to copyright works other than computer programs to which effective technological measures have been applied for copy protection. As the games contained graphic and other works the court found that this section also applied in certain respects and facilitated a finding of liability as Justice Floyd held *"it is not a requirement in proceedings brought under section 296ZD to show knowledge or reason to believe that the accused devices would be used to make infringing copies. The section creates a tort of strict liability"*.

Limbs of loss

In *GB Gas v Accenture* the Court of Appeal upheld a decision of the High Court that an exclusion clause as drafted did not exclude five items of disputed loss.

GB Gas contracted with Accenture for the development and implementation of a system to support billing and customer services for Centrica. Disputes arose as to the performance of the system particularly in relation to disruption caused to billing processes.

Losses at issue included overpayments to suppliers, compensation paid to their customers, additional borrowing charges, costs of chasing debts not in fact due and additional stationery and correspondence costs. Each party accepted the traditional interpretation of 'direct' and 'indirect' loss as mirroring the first and second limb of the rule in *Hadley v Baxendale* respectively. So direct loss constituted 'loss arising naturally, that is, according to the usual course of things, from the breach of contract', whereas indirect or consequential loss constituted 'loss in the contemplation of both parties at the time they made the contract as the probable result of the breach of it'.

In relation to the claimed losses Accenture sought to rely on its clause excluding, amongst other things, 'any losses, damages, costs or expenses whatsoever to the extent that these are indirect or consequential or punitive; ...'

The Court of Appeal held that those losses claimed by GB Gas were direct losses, fell outside the scope of the clause and were recoverable in principle if it can be proved that they were suffered as a result of Accenture's breach of contract.

Court of Appeal allows Euro-defence arguments in parallel trade case

January

In *Oracle America Inc, (formerly Sun Microsystems Inc) v M-Tech Data Ltd*, the Court of Appeal decided that arguments concerning breach of competition law may be used in defence of trade mark infringement allegations in a parallel trade case. In November 2009 the High Court awarded summary judgment to Oracle. In August 2010 the Court of Appeal disagreed, setting aside the summary judgment and also indicating that the case may merit a Court of Justice reference.

February

March

M-Tech had bought disk drives in the USA which were branded with Sun Microsystems' trade mark and imported them into the UK for onward sale. Sun alleged trade mark infringement as it said that it had not consented to these products being sold on the European Economic Area (EEA) market. The previous history of such products was often impossible for dealers to ascertain. While Sun itself knew the destination of first marketing from its internal databases, it consistently refused to supply this information to independent traders.

April

May

M-Tech argued that Sun's enforcement of trade mark rights was contrary to Articles 34-36 of the Treaty on the Functioning of the European Union (TFEU) as the effect was to prevent a single market in hardware which has been marketed by Sun, or with its consent, in the EEA. It said that independent traders were dissuaded from dealing with any Sun product, not only those originating outside the EEA, for fear of being sued. This had caused artificial partitioning of the legitimate market in Sun branded hardware within the EEA, caused legitimate parallel trade to dwindle and permitted Sun to control the secondary market.

June

July

Further, M-Tech alleged that Sun's enforcement of its trade mark rights was contrary to Article 101 TFEU as the agreements between Sun and its distributors required distributors to buy Sun equipment within its authorised supply network whenever possible.

August

The High Court granted summary judgment, reiterating previous European Court of Justice (ECJ) law which made clear that the trade mark owner has a right of action to prevent marketing of his product on the EEA market for the first time without his consent. The Court, even assuming that M-Tech's allegations were correct, said that the answer lay within the Trade Marks Directive and Regulation; the trade mark owner is expressly given the right to first marketing in the EEA and there is nothing to suggest that such right is affected by competition law.

September

In the Court of Appeal it was held that there was a real prospect of establishing at trial that the Trade Marks Directive had to be interpreted by reference to Articles 34-36 TFEU and that on M-Tech's case, a breach would be shown, which would affect Oracle's right to sue for trade mark infringement.

October

November

Further, the Court commented that Oracle's alleged practices arguably had more to do with restricting imports and thereby protecting Oracle's profit margins, than with the proper exercise of the right to control first marketing of its products within the EEA. The Court also held that there was an arguable point on the connection between trade mark rights and competition law arguments; Oracle's arguments did not take account of the allegation that the agreements with distributors formed part of an overall scheme for excluding secondary traders from the market.

December

Therefore the Court set aside the summary judgment and allowed the competition law defences to be argued at trial. The Court further stated that there was a strong case for referral to the ECJ as the issues involved controversial questions of economic policy likely to be of significance to the EU as a whole.

A good month for... summer storage

HP and Dell found themselves in a bidding war this summer over hitherto little known Californian storage company 3Par. The prize was a company strong in data storage and analysis tools – a growth area as businesses migrate their system operations to the cloud. Eventually HP secured 3Par with an offer of \$33 per share– 3 times higher than the price at which 3Par shares were traded before Dell made its initial offer and valuing it at about \$2.4 billion. In the two week bidding period the British boss of 3Par, who studied computer science at Bristol University, saw the value of his stake rise to approximately £65 million.

A bad month for... summer storage

The Salt Lake Tribune reported in August that an employee of a local mortgage company had allegedly opened fire on the computer server in his company's offices. The assailant told police that his .45 calibre automatic had been stolen but an acquaintance reportedly told police that he had earlier made threats to shoot the \$100,000 dollar server. Police found .45 casings on the office floor and a bullet hole in the computer. No motive for the shooting was given.



Consultation on e-commerce

Following the publication of the European Commission's first report in relation to a market monitoring exercise that it had been conducting on EU retail markets, in August the Commission opened a consultation on the future of e-commerce and the implementation of the Directive on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market (E-Commerce Directive).

Surprisingly, one of the key issues to emerge from the report was the slow growth of e-commerce. Ten years after the adoption of the E-Commerce Directive, which was intended to promote cross-border on-line services in Europe, on-line transactions in the EU account for less than 2% of total retail trade. Through the consultation, the Commission hopes to study in detail the reasons for the limited uptake of E-Commerce and to review the implementation of the E-Commerce Directive.

Main topics covered in the consultation include: the level of development of on-line services; administrative co-operation between member states; contractual restrictions on cross-border on-line sales; cross-border on-line commercial communications, in particular by regulated professions; the development of on-line press services; interpretation of provisions in the Directive relating to the liability of on-line retailers and service providers; the development of on-line pharmacy services; and the resolution of on-line disputes.

A Communication from the Commission on e-commerce is expected during the first half of 2011.

Text your vote

Following a succession of high profile scandals in broadcasting associated with phone voting (culminating in ITV's £5.67 million fine), PhonepayPlus (the regulator for phone-paid services in the UK) published a Prior Permissions Notice in February 2008 which required producers to obtain clearance from the regulator before offering text voting services linked to their broadcasts.

Broadcasters have since sought further details regarding the regulator's position on text messages that arrive after the the competition voting window has ended.

The supplementary notice issued by PhonepayPlus in August clarified:

'Calls and SMS entries which are received before lines have been announced as opened, or after an announcement that lines are closed has been made, should be considered invalid and not be counted, except that calls which have already commenced at the time of a closure announcement must be allowed to be completed and counted. It is acceptable for such invalid entries to be charged, provided that:

- The risk of being charged for invalid entries is clearly communicated to the viewer
- Consumers whose votes/entries are invalid should be clearly informed that their entry is invalid and whether a charge has applied
- Invalid entries have not been received after lines have been announced as closed as the result of technical failure...'

When programmes are repeated, phone lines may now stay open - but only if any votes can be counted during that repeat. Provisions were also introduced stipulating that sufficient time must be allowed for all voting responses to be considered which may demand that consumers are informed of different voting closure times in relation to different entry platforms.

ASA extends remit

January

This month, the Advertising Standards Authority, the UK's independent advertising regulator, announced that it will be extending its remit to cover website content from March 2011.

February

The ASA's remit currently extends to advertising across all media, including the internet, but it does not regulate website content - only paid-for online advertising. However, the announcement this month confirms the long-awaited extension to the ASA's online remit to include advertisers' own marketing communications on their websites and also, significantly, marketing communications in non paid-for space under their control, such as social networking sites like Facebook and Twitter.

March

The ASA's increased remit will apply to marketing communications across all sectors and to all businesses and organisations regardless of size but will exclude journalistic and editorial content. Unfortunately, there remains no definition of 'marketing communications' and the ASA itself admits there may initially be some 'teething problems' in defining what falls within its remit. Generally, the ASA along with the Committee of Advertising Practice and Advertising Standards Board of Finance have committed to an ongoing, quarterly review of the extended remit with the intention of carrying out a comprehensive review in quarter two, 2013.

April

May

June

The ASA chairman, Lord Chris Smith, stated that *"this significant extension of the ASA's remit has the protection of children and consumers at its heart"*. According to Lord Smith, the ASA has received more than 4,500 complaints since 2008 about marketing communications on websites it could not deal with, but from 1 March 2011 anyone who has a concern about a marketing communication online will be able to turn to the ASA.

July

The extended remit has been made possible with initial seed funding of £200,000 from Google and the expansion of the 0.1% voluntary levy on paid-for advertising that currently funds the ASA.

August

Enforcement Powers

While the ASA retains its current sanctions, from 1 March 2011 it will also have at its disposal the following sanctions:

- an ability to demand the removal of paid-for links to pages hosting a banned advertisement, with the agreement of search engines
- an ability to place its own advertisements online highlighting an advertiser's continued refusal to comply with a ruling.

September

Backdrop of Change

October

Confirmation of the extended remit coincided with the new enhanced CAP Code coming into force. The new CAP Code contains enhanced protections for consumers, such as tighter rules to protect children and a new social responsibility rule.

November

December

A good month for... patient Pamela

Pamela Anderson, made famous by Baywatch amongst other things, secured the transfer of the domain name pamanderson.com thirteen years after it was initially registered despite a rare dissenting opinion from one member of the World Intellectual Property Office panel. Two were quick to find in her favour under the Uniform Dispute Resolution Policy (UDRP) for domain names. The third, Anthony Brown QC, was unconvinced that Pam and Pamela were sufficiently similar to meet the UDRP requirements and was concerned at the long delay in bringing the complaint. Nevertheless, the majority finding prevailed.

A bad month for... keeping quiet

The penalty for persistent misuse of an electronic communications network rose in September as the The Communications Act 2003 (Maximum Penalty for Persistent Misuse of Network or Service) Order 2010 came into force. Automated systems used by some telephone marketing companies will dial more numbers than there are available operators to manage answered calls. In light of excessive numbers of silent and abandoned calls, which have been identified as a major cause of annoyance, inconvenience or anxiety for telephone users, the maximum penalty was raised from £50,000 to £2 million.



Pain in the botnet

In response to increasingly sophisticated attacks on computer systems (often utilising networks of hijacked computers known as 'botnets'), the European Commission published a new proposal for a Directive on attacks against information systems. Whilst repealing the EU Council framework decision on attacks against information systems (2005/222/JHA) adopted in February 2005, its provisions are retained and built upon with new provisions addressing particular threats and raising the level of criminal penalties.

Part of the reasoning behind the creation of a new Directive was a desire to ensure that all EU Member States had adequate laws in place to deal with the perceived increased threat. The press release on the proposal stated that 'the Commission will now be able to monitor how Member States apply EU legislation. If it finds that EU countries violate the rules, it will be in a position to refer the case to the European Court of Justice. These considerations add to the justification for the new proposed Directive.'

Echoing the Commission's concerns, the proposal was followed shortly by the categorisation of network attacks in the top tier of threats to UK interests in the UK National Security Strategy.

In commenting on the Strategy the Foreign Secretary said *"such attacks can, in the future, become a major threat to our economic operations in the country and to our economic welfare but also to national infrastructure, such as electricity grids and so on. We have to make sure we are protecting ourselves and that is why there is £500m of additional funding coming for that area."*

Short names in high demand

In September Nominet UK, the domain name registry for .uk domain names, published details of the release process for previously restricted short domain names. The domain names being released are principally one and two-letter domain names (such as a.co.uk and aa.co.uk) and are all in the .co.uk, .org.uk, .net.uk and .me.uk second level domains. While only approximately 2000 domain names will be released, short, generic domain names are highly sought after and the domain name release is therefore expected to attract significant interest.

Nominet gave priority in the allocation of these domain names to applicants with corresponding trade mark rights. There is an initial application phase for holders of registered trade mark rights in the domain name applied for, followed by an application phase for holders of unregistered trade mark rights in the remaining domain names. In both phases, if more than one applicant is able to demonstrate rights in the domain name applied for, the rights-holders will participate in an auction to determine who will be allocated the domain name. The proceeds from the auction will benefit the Nominet trust, a charity. Following the registered and unregistered rights phases, remaining domain names will be allocated on the basis of a first-come, first-served 'landrush'.

CMS was appointed to provide independent validation of the trade mark rights asserted by the applicants, to confirm that they are entitled to make priority applications for these valuable domain names.

Software copyright - questions to be answered

January

October saw the Intellectual Property Office's publication of the questions referred by the High Court to the European Court of Justice (ECJ) for a preliminary ruling in *SAS Institute Inc v World Programming Ltd*.

February

The SAS Institute Inc (SASI) software system is an integrated set of programs which enables users to perform a wide range of data-processing and statistical analysis tasks. At the core of the system is software which enables users to write and run applications written in SASI's language in order to manipulate their data. This software's functionality can be extended by using additional components but anyone wishing to run their existing applications or create new ones requires a licence to the SASI components.

March

April

World Programming Ltd (WPL) developed the World Programming System (WPS) which emulated much of the functionality of SASI's components and enabled former SASI users to execute programs written in SASI's language without continuing to pay SASI's licence fees. WPL also created a WPS manual describing the functionality of various elements by reference to diagrams and quick reference guides listing elements of the SASI language with an indication of whether the current edition of WPS supported it.

May

SASI commenced proceedings in 2009 alleging WPL's infringement of copyright in its software and manuals as well as breach of SASI's licence terms.

June

In considering SASI's allegations Mr Justice Arnold referred to the case of *Navitaire v easyJet* and *BulletProof* which had previously concluded that it was not an infringement of the copyright in the source code of a computer program to study how the program functions and to develop a program emulating that functionality.

July

There was no suggestion that WPL had access to the source code of the SASI components nor that it copied any of the text or structural design of the source code of the system. On the assumption that Mr Justice Pumfrey's interpretation of Article 1(2) of the Software Directive in *Navitaire* was correct, Mr Justice Arnold ruled that WPL had not infringed copyright in the SASI components by producing the WPS. Whilst the source code of the SASI system was protected by copyright as a literary work, it did not prevent WPL writing software that replicated the functions of the SASI software, however complex and at whatever level of detail.

August

September

In *Navitaire*, Mr Justice Pumfrey held that the EU's Software Directive (the Directive) did not provide for protection by copyright of programming languages, interfaces or functionality. Although Mr Justice Arnold did not agree with SASI's submission that this was an incorrect interpretation of the Directive, he felt that there was uncertainty surrounding how broadly the concept of a programming language should be interpreted in the context of this case and that the level of doubt was sufficient for the ECJ to be asked to clarify the legal position. In his judgment, Mr Justice Arnold was quite clear that his decision would have been appealed by SASI had he not himself referred various questions to the ECJ.

October

November

December

The questions can be found in full on the Intellectual Property Office (IPO) website here www.ipo.gov.uk/pro-policy/policy-information/ecj/ecj-2010/ecj-2010-c40610.htm. They address whether programming languages, interfaces and functional aspects of software are excluded from protection under Article 1(2) of the Directive; the extent to which the rights in a computer program are infringed by someone who, without copying the source code, produces another program which replicates the functionality of the first program either directly or indirectly; and the extent of the exclusion from infringement for observation and testing under Article 5(3) of the Directive.

A good month for... being in the way

Being in the way of the world's second largest company can be a good thing. A North Carolina couple found that their modest house (bought for \$6,000) was on land that Apple wanted for a new \$1 billion dollar data centre. A short negotiation later, Apple had the land they wanted and Donny and Kathie Fulbright had \$1.7 million to buy a 4,200 square foot home on a 49 acre estate. Everybody was pleased.

////////////////////

A bad month for... copyright trolls

Controversial US company Righthaven's practice of obtaining copyright in newspaper articles and suing those who reproduce those articles on the web has attracted a lot of attention. In October one blogger found himself in court after posting an eight-sentence portion of a 30-sentence article on his site. However, because he copied 'only as much as necessary in a greater work to provide relevant factual information', the court found it to be fair use under US law and unlikely to have any great effect on the market for the news article in which copyright subsisted.



Too heavy on the levy

Although it is not sanctioned in the UK, some Member States of the European Union permit copying of legitimately owned material for private use. Where this is permitted the Copyright Directive provides that rights holders receive a "fair compensation" – this is achieved by imposing a levy on blank media such as recordable disks, onto which such material is recorded. That levy is paid to collecting societies who represent rights holders.

One of the Spanish collecting societies – Sociedad General de Autores y Editores (SGAE) – brought an action against Padawan, a supplier of storage media, for unpaid private copying levies for the years 2002 to 2004. The Spanish Court of First Instance ruled against Padawan ordering the payment of the levies due under Spanish law. Padawan appealed the decision and the Provincial Court in Barcelona referred questions to the European Court of Justice (ECJ) as to the correct interpretation of fair compensation. The judgment of the ECJ was eagerly awaited by manufacturers of storage and reproduction equipment and media.

The ECJ confirmed that the levy may be charged on media sold to individuals, holding that:

'where the equipment at issue has been made available to natural persons for private purposes it is unnecessary to show that they have in fact made private copies with the help of that equipment and have therefore actually caused harm to the author of the protected work'.

However, 'the indiscriminate application of the private copying levy, in particular with respect to digital reproduction equipment, devices and media not made available to private users and clearly reserved for uses other than private copying, is incompatible with Directive 2001/29'.

Consequently in most instances the levy should not apply to storage media sold to businesses where there is no assumed link to losses incurred by rights holders.

Turn and face the claim - ch...ch...changes

Great care should be taken in varying a contract if it is not to lead to unforeseen consequences. In October this was demonstrated in a case involving the amendment of provisions in an outsourcing agreement.

In the agreement between Hutchison 3G and Ericsson concerning the operation of a telecoms network, the parties agreed to change how 'Expiry Date' was defined. This simple change affected the possible interpretation of unamended provisions relating to handover and exit measures on termination and brought the parties into dispute and into the High Court.

Ericsson argued that, on the correct interpretation of the agreement, the exit measures should only apply in the last 12 months of the contract's operation. Hutchison argued that the handover period could be much longer and depended on the date that notice of termination was given.

Justice Akenhead evidently considered the dispute something of a storm in a tea cup saying *"I have not been, intellectually, impressed by each side's arguments that the provisions in Schedule 12 will be more or less onerous depending upon how long they are to apply"*. The difficulties that each party claimed to face if its interpretation was not followed could therefore not assist him in reaching a decision as to how the amended agreement should actually be interpreted.

In the event, after thorough and objective analysis on the strict wording of the agreement, he held that the contract's meaning was that the restrictions on Ericsson did not apply any earlier than 12 months before the contract was due to terminate in 2012.

Location, location, location?

January

Football Dataco have had a busy year in the courts (see also page 11) as November saw judgment handed down in a jurisdiction dispute with German company Sportradar GmbH and Swiss company Sportradar AG (Sportradar).

February

Dataco alleged that data from its own service 'Football Live' was being copied and sold to customers in the UK by Sportradar via servers in Germany and Austria and issued proceedings in the High Court in April. Sportradar claimed that the English courts had no jurisdiction to hear the dispute as they were committing no acts of infringement in the UK.

March

Justice Floyd held that no act of reproduction of copyright material or extraction of data had occurred in the UK by Sportradar but that argument relating to authorising and joint liability for copyright and database right infringement could be heard.

April

Most interestingly, in order to determine what aspects of Dataco's pleadings could be heard under the Court's jurisdiction, Justice Floyd explored the location of alleged acts of re-utilisation of data (an infringing act under Regulation 16(2) of the Copyright and Rights in Database Regulations 1997). In so doing he drew comparison with the closely related issue of where 'making available' occurred for the purposes of s.20 Copyright Designs and Patents Act 1988 and stated:

May

June

"I have come to the conclusion that the better view is that the act of making available to the public by online transmission is committed and committed only where the transmission takes place. It is true that the placing of data on a server in one state can make the data available to the public of another state but that does not mean that the party who has made the data available has committed the act of making available by transmission in the State of reception. I consider that the better construction of the provisions is that the act only occurs in the state of transmission."

July

August

Part of his reasoning came from analogy with broadcasting where the issue of where a broadcast occurred was settled (for broadcasts originating within the EU) by the Directive on Satellite Broadcasting and Cable Re-transmission. So called 'emission theory' applies to determine the location as being where the signals are introduced under the control of the person making the broadcast into an uninterrupted chain of communication.

September

October

Many database owners will have sympathy with Dataco's arguments that this interpretation leaves them with no redress when their data is made available from servers in jurisdictions without adequate legal protection of database rights. Justice Floyd's comments that end-user infringement within a jurisdiction with protection and re-transmission from jurisdictions where protection exists could still be prevented may be of little solace. Taken together with the court's agreement to conduct a judicial review of provisions under the Digital Economy Act aimed at involving Internet Service Providers in rights protection (see April), the judgment highlights that the position in relation to online intellectual property infringement often remains unfavourable to rights holders.

November

December

A good month for... winning big

European enterprise software giant SAP was ordered to pay rival Oracle \$1.3 billion dollars in a US court judgment. The dispute arose from SAP's acquisition of a small software company TomorrowNow who provided support and maintenance for Oracle software. Sadly, in so doing, they copied Oracle documentation and software. SAP admitted the unlawful action by its subsidiary but thought damages should be closer to \$40 million. The judgment highlights the interesting economics of the software industry where support services are often the most lucrative aspect of the sale.

A bad month for... a joke

A 27-year-old accountant lost his appeal against conviction for sending a menacing message under s.127 Communications Act 2003. On finding that Doncaster airport was closed due to snow Paul Chambers tweeted 'Crap! Robin Hood Airport is closed. You've got a week and a bit to get your shit together otherwise I'm blowing the airport sky high!'. In a display of solidarity, Twitter users re-posted the same message under hashtag "#IamSpartacus" – certainly funnier than the original joke. Stephen Fry offered to pay Chambers' fine.



Data Protection fines

On 24 November the Information Commissioner served two organisations with the first monetary penalty notices for serious breaches of the Data Protection Act. The Information Commissioner's Office (ICO) has had the power to issue fines of up to £500,000 for such breaches since 6 April 2010.

Hertfordshire County Council received a £100,000 monetary penalty notice for two serious breaches occurring in June 2010 when council employees faxed highly sensitive personal information to the wrong recipients. Such disclosures occurred on two separate occasions and concerned child abuse and care proceedings. The ICO found that disclosure of such information risked causing substantial damage and distress.

The second organisation, employment services company A4e, was fined £60,000 when an unencrypted laptop was stolen from an employee's home in a burglary. The laptop contained personal information relating to 24,000 people who had used community legal advice centres. Some of the information was coded, but the key to the codes was set out in a separate document stored on the same laptop.

A monetary penalty was considered to be appropriate by the ICO because A4e had issued an employee with a laptop containing large amounts of unencrypted information despite being aware of the personal nature of that information, and because access to that information could have caused substantial distress.

A licence to clip and to click

November brought an interesting development in licensing for online use. In *The Newspaper Licensing Agency Ltd and others v Meltwater Holding BV and others*, the High Court ruled that customers of an online news monitoring service required an end user licence from The Newspaper Licensing Agency in order to make use of the clippings service.

The case involved the monitoring service provided by Meltwater as well as their customers who belonged to the Public Relations Consultants Association (PRCA). Meltwater monitored websites to produce customised reports for members of the PRCA which contained an extract from, and the opening text of, relevant online newspaper articles together with a hyperlink via which the full text could be accessed. In reaching her decision the judge explored a number of issues relating to copyright subsistence and online infringement.

As to the subsistence of copyright in article headlines, which were used by Meltwater in naming their hyperlinks, Justice Proudman found that copyright could subsist in them as independent works or they could be protected as part of their associated article. Similarly copyright protection could also apply to the extracts of articles that were used by Meltwater. In deciding this, specific reference was made to the decision of the European Court of Justice in *Infopaq International A/S v Danske Dagblades Forening* (discussed in last year's Review).

End users required a licence, she held, because: 'When an End User receives an email containing Meltwater News, a copy is made on the End User's computer and remains there until deleted. Further, when the End User views Meltwater News via Meltwater's website on screen, a copy is made on that computer'.

No defences relating to temporary copying or fair dealing were held to apply and, on the issue as to whether there was an implied licence allowing the end user to access the full article via the hyperlink, Justice Proudman commented that arguments had not been clearly enough made "however it seems to me that in principle copying by an End User without a licence through a direct Link is more likely than not to infringe copyright".

Advocate General on L’Oreal v eBay

January

In May 2009 the High Court decided to refer a number of questions to the European Court of Justice (ECJ) in the L’Oreal v eBay trade mark infringement case. L’Oreal alleged that eBay was infringing its trade marks by using them to direct consumers to infringing goods on its marketplace website, and also that eBay should be liable for its role in the trade mark infringements being committed by individual sellers on the website.

February

March

The initial questions referred to the ECJ sought to determine whether the resale of certain types of products could give rise to trade mark infringement. In the opinion of the Advocate General (AG), samples and testers (supplied without charge to authorised distributors and often marked ‘not for resale’) had not been ‘put on the market’ in the EEA and therefore a trade mark infringement action was possible. He also considered that the resale of products removed from their boxes or packaging could also give rise to an action if the practice damaged the image of the goods and hence the reputation of the trade mark. Further, in order to prevent the resale of goods first marketed outside the EEA, the AG’s opinion was that the proprietor of a trade mark need only show that the advertisement was targeted at consumers in a territory in which the trade mark rights subsisted. It would not be necessary for the trade mark proprietor to show that the advertisement or offer for sale necessarily entailed putting the goods on the market in that territory.

April

May

In relation to the purchase and use of a third-party trade mark as a keyword the AG contrasted the position of eBay with that of Google - eBay was using the signs in the sponsored links to advertise eBay’s online marketplace services, rather than to advertise competing goods. His opinion was that the practice could constitute infringing use but that this would not be considered to have an adverse effect on the functions of the trade mark where the ‘reasonable, average consumer’ understands, on the basis of the information provided in the sponsored link, that the website stores in its system third-party advertisements or offers for sale.

June

July

In relation to the availability of the exemption from liability for hosted material under Article 14(1) of the E-Commerce Directive, it was the AG’s opinion that this was available to online marketplace operators in relation to unmoderated or uninspected marks featured in advertisements. However, that exemption would fall away if the operator was made aware of the infringing mark and took no action to remove it. Significantly, that awareness might be deemed to exist in the case of repeat infringers.

August

September

Finally, the AG concluded that an injunction against an intermediary, such as an operator on whose website infringing goods are sold, could be issued under the Enforcement Directive to require the intermediary to prevent repeated instances of the same or similar infringements provided that this was possible under the relevant national law. He suggested that it would often be appropriate to limit any such injunction to a specific user and specific trade mark, and this could be achieved, for example, by the operator closing the user’s account.

October

November

The Opinion recognises the practical difficulties faced by marketplace website operators in preventing trade mark infringements by individual sellers on their websites. Website operators will welcome the recommendation that they should be entitled to assume that their website is being used in a lawful way by individual sellers, unless informed otherwise, and that intervention such as providing guidance in relation to listings on their website should not deprive them of the exemption under the E-Commerce Directive. Brand owners will be glad of the onus the opinion places on operators to track and monitor the actions of persistent offenders.

December

A good month for... Silicon Roundabout

David Cameron spoke of building on the success of the new media businesses based around Old Street roundabout in London to create an East End Silicon Valley extending to Stratford's Olympic Park. The success of Silicon Roundabout, epitomised by the growth of achingly cool companies such as internet music community website Last.fm, highlights the significance of location in attracting talent. Whether the draw of the scene in Shoreditch can be extended further east remains to be seen.

A bad month for... European harmony

A software development company was awarded €12 million by the EU General Court after the European Commission put out to tender work maintaining and enhancing its machine translation system. The EU General Court issued a statement saying that in so doing, 'the Commission acted unlawfully by infringing the general principles common to the law of the Member States applicable to copyright and know-how'.



Protecting your GUIs

Following a reference from the Czech Regional Court, the European Court of Justice (ECJ) ruled this month that a graphical user interface (GUI) cannot be protected under the EU's Software Directive (91/250/EEC) but can potentially be protected under the Information Society Directive (2001/29/EC).

The ECJ emphasised that a GUI is not a form of expression of a computer program within the meaning of Article 1(2) of the Software Directive but merely constitutes one element of that program by means of which users make use of the features of that program. Therefore, it cannot be protected by copyright in computer programs by virtue of the Software Directive. While not specifically part of the original question put to the ECJ, they went on to hold that a GUI could be protected by copyright under the Information Society Directive but only in relation to a subject-matter which is original in the sense that it is its author's own intellectual creation.

The second part of the ruling held that television broadcasting of a GUI does not constitute communication to the public of a work protected by copyright within the meaning of Article 3(1) of Directive 2001/29/EC.

The ECJ reasoned that in the context of television broadcasting of a program, a GUI is displayed but television viewers receive a communication of that GUI in a solely passive manner without the possibility of intervening. The ECJ highlighted that viewers cannot use the feature of that interface which consists of enabling interaction between the computer program and the user. Due to this lack of interaction the ECJ held that there is no communication to the public of the GUI within the meaning of Article 3(1) of Directive 2001/29/EC. However, this focus on 'interaction' being pivotal to whether the work has been communicated has been questioned by some in the industry.

Archive photos lead to copyright infringement

This month, the Court of Appeal found that it was possible for use of a freelancer's photographs in a newspaper's archive website to be an infringing use even though the newspaper may own the copyright in the compilations featuring the photographs.

A freelance photographer supplied photographs to MGN Ltd, the publisher of the Daily Mail. There was no written agreement between the parties but it was common ground that the photographer would retain the copyright. The photographer subsequently terminated the licence to use the copyright. MGN set up a number of websites which enabled users to access archives of the newspaper from 1903 onwards, thus meaning that the photographer's work was visible on these websites. The photographer claimed that this was in breach of an earlier undertaking given by MGN not to infringe the copyright and at first instance the court found in the photographer's favour.

On appeal, the Court of Appeal upheld the earlier decision finding that any implied copyright licence only extends to the use contemplated by the parties at the time of the engagement and that the licence would not entitle the licensee to take advantage of a new unexpected profitable opportunity. Exploitation of the works on MGN's websites went beyond the intention of the parties because of the wider global reach of websites when compared with hard copy newspapers.

Furthermore, it was held that copyright in the compilation does not affect the rights of the owner of copyright in its parts unless he licenses it further. The existence of such overlapping copyrights demonstrates the need for the compiler to obtain sufficient licences from his contributors.

The case also highlights the need for users of copyright material to seek to provide explicitly for a wide ambit of use in licence terms.

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