

TRADE MARKS

Decisions of the GC

Ref no.	Application (and where applicable, earlier mark)	Comment
GC T-474/12 <i>Giorgio Giorgis v OHIM; Comigel SAS</i> (25.09.2014)	 - ice, flavoured ices, mixed sorbets, ice sorbets, ice creams, ice-cream drinks, ice-cream goods, ice-cream desserts, semi-frozen desserts, desserts, frozen yoghurt, pastry (30)	<p>In invalidity proceedings, the GC upheld the BoA's ruling that the mark was devoid of distinctive character under Arts 52(1)(a) and 7(1)(b) and that Giorgio Giorgis had failed to establish acquired distinctive character under Art 7(3).</p> <p>The BoA was correct to find that neither the glass containers nor the cardboard casing departed significantly from the norms in the sector. The mark did not therefore have inherent distinctive character.</p> <p>The evidence submitted to show acquired distinctive character, taken as a whole, related to only 8 Member States and therefore did not demonstrate that distinctive character had been acquired in a substantial part of the EU. Giorgio Giorgis had also failed to substantiate its submission that the shape of the packaging was particularly retained in consumers' memory as an indication of its commercial origin, and that the particular shape and appearance of the packaging made it possible to differentiate it from those of other manufacturers.</p>
GC T-218/12 <i>Micrus Endovascular LLC v OHIM; Laboratórios Delta Lda</i> (10.09.14)	<p>DELTA</p> - medical and surgical devices, namely, microcoils used for endovascular surgery for the treatment of aneurysms (10)  - pharmaceutical and	<p>The GC dismissed the appeal from the BoA's decision and upheld the opposition, finding a likelihood of confusion between marks under Art 8(1)(b).</p> <p>The BoA correctly defined the relevant public for the goods of the mark applied for as 'professionals in endovascular surgery', who were particularly well-informed and attentive.</p>

	<p>dietetic products (for children and patients) (5) (Portuguese mark)</p> <p>The element 'portugal' had been included in the earlier mark due to a historical Portuguese trade mark requirement for marks filed by applicants having their seat in Portugal. This additional element was later deleted from all marks concerned.</p>	<p>The BoA was also correct to hold that, notwithstanding the different nature of the goods in issue (pharmaceutical products and the medical goods of the mark applied for) and their differing distribution channels, the goods had similar commercial origins and were complementary and were therefore similar.</p> <p>The marks were identical. Even taking into account 'portugal' in the earlier mark, the signs were similar. The word 'delta' was of average distinctiveness, whilst 'portugal', had only a weak distinctive character. The BoA was correct to conclude a likelihood of confusion could not be excluded.</p>
GC T-450/11 <i>Galileo International Technology LLC v OHIM; European Commission & anr</i> (11.09.14)	 <ul style="list-style-type: none"> - research and development in the field of satellite radio-navigation (42) GALILEO - computers, computer software are related goods (9) - various printed publications relating to computers (16) - business managements services relating to travel and tourism (35) - telecommunication services (38) - various booking services (39, 41, 42) 	<p>The GC upheld the BoA's finding that there was no likelihood of confusion between the marks under Art 8(1)(b).</p> <p>The parties did not dispute that the relevant public of the mark applied for comprised specialist public undertakings.</p> <p>However, the parties did dispute the nature of relevant public in respect of the Class 9 specification of the earlier mark and in this regard the BoA was correct to find that the relevant public was the general public.</p> <p>The BoA was also correct to find that the goods and services covered by the earlier mark were of a different nature to the services covered by the application because they were not aimed at the same public nor were they in competition or complimentary. There was therefore no likelihood of confusion between the marks.</p>
GC T-90/13 <i>Herdade de S. Tiago II – Sociedade Agricola, SA v OHIM; Polo /</i>	 <ul style="list-style-type: none"> - laundry and cleaning products (3) 	<p>The GC upheld the BoA's decision which found that (i) there was a likelihood of confusion between the marks under Art 8(1)(b) in relation to certain goods in Classes 18, 25 and 28; and (ii) use of the mark applied for would be detrimental to the distinctive</p>

<p><i>Lauren Company LP</i> (18.09.14)</p>	<ul style="list-style-type: none"> - leather goods, bags (18) - clothing (25) - games, playthings, sporting articles (28) - sporting and cultural activities (41)  <p>- goods in classes 9, 18, 20, 21, 24, 25 and 28 (Community, UK and Benelux Marks)</p>	<p>character of the earlier marks under Art 8(5) in relation to certain goods/services in Classes 3, 25 and 41.</p> <p>The polo player figurative element needed to be included in the assessment as this was the only element of the earlier marks. It also had an independent distinctive role in the mark applied for. The letter 'V' had a weak inherent distinctive character and was not the dominant element of the mark applied for. The marks were therefore visually similar.</p> <p>The marks were not phonetically similar. However, the marks both referred to the sport of polo and so were conceptually identical. Given the identity of the goods at issue and the enhanced distinctiveness acquired through use of the earlier marks, there was a likelihood of confusion.</p> <p>The earlier marks had a reputation. The GC also noted that there was a degree of closeness between the 'clothing, footwear, headgear' of the earlier marks (which would include goods relating to sport) and 'sporting activities' of the mark applied for. This was a relevant consideration when assessing whether the public would establish a link between the marks under Art 8(5).</p>
<p>GC T-265/13 <i>The Polo / Lauren Company LP v OHIM; FreshSide Ltd</i> (18.09.14)</p>	 <ul style="list-style-type: none"> - travel bags; umbrellas (18) - clothing, footwear, headgear (25) - gymnastic and sporting articles not included in other classes (28)  <p>- various goods in classes 9,</p>	<p>The GC annulled the BoA's decision which held that there was no likelihood of confusion between the marks under Art 8(1)(b) and no infringement of Art 8(5).</p> <p>The BoA erred in finding that the marks were dissimilar overall. The marks had, at least, a low degree of visual similarity which could not be categorised as negligible or insignificant. The marks also had a certain degree of conceptual similarity as they all contained a representation of a polo player (even though the mark applied for depicted a figure on a bicycle whilst the earlier marks depicted a traditional polo player).</p> <p>The BoA also erred in its finding of no infringement of Art 8(5) since its</p>

	18, 20, 21, 24, 25 and 28 (Austrian mark and CTM)	finding was based on the sole ground that the marks were not similar.
GC T-195/12 <i>Nuna International BV v OHIM; Nanu-Nana Joachim Hoepp GmbH & Co. KG</i> (23.09.14)	 - strollers; buggies; safety car seats for children (12) - baby carrier bags; diaper bags; backpacks for children (18) - cribs; high chairs; baby walkers; bouncing seats; baby rocking chairs; sleeping bags for children; carry cots (20) - cups, bowls for children (21) - diapers (textile); foot muffs for children or pushchairs (25) - swings for children (28) NANA NANU-NANA - bags of all kinds (18) - furniture (20) - glassware (21) - clothing for women, men and children (25) - playthings, games, dolls (28)	The GC partially annulled the BoA's decision on the basis that, under Art 8(1)(b) , strollers, buggies, safety car seats for children and the Class 20 goods were not similar to playthings, games or dolls of the earlier marks. However, the GC upheld the BoA's findings in respect of the following goods applied for: <ul style="list-style-type: none"> the Class 18 goods were identical to the broader category of bags of all kinds of the earlier marks and in the same way swings for children were included in playthings; the Class 21 goods were identical to glassware in the earlier marks; the Class 25 goods were identical or similar to clothing covered by the earlier mark; and cribs; high chairs; bouncing seats; baby rocking chairs and carry cots were similar to furniture covered by the earlier marks. The marks were similar overall (the NANU-NANA mark exhibited a slightly lower degree of similarity). Where the goods were similar or identical there was a likelihood of confusion between the marks.
GC T-341/13 <i>Groupe Lea Nature SA v OHIM; Debonair Trading Internacional Lda</i> (23.09.14)	 - cleaning products, soaps, perfumes, cosmetics and toiletries (3)	The GC annulled the BoA's finding that there was a likelihood of confusion between the marks under Art 8(1)(b) . The BoA was incorrect to find that the 'so' element dominated the visual impression of the marks at issue. The earlier mark comprised a relatively short word sign which would be perceived as a whole by the relevant

	<p>- clothing and footwear (25) SO...? - toiletries and cosmetics (3)</p> <p>- clothing and footwear (25) (UK mark and CTM)</p>	<p>public. The 'bio' element of the mark applied for was of at least equal importance to the 'so' element and the 'etic' element was also of importance. Therefore the marks were not visually similar.</p> <p>Phonetically, given the difference in length, rhythm and intonation, the marks were similar to a low degree.</p> <p>Since the elements 'bio' and 'etic' were absent from the earlier mark, the marks at issue were not conceptually similar.</p> <p>Despite the low phonetic similarity between the marks, overall the marks were not similar. It followed that there could be no likelihood of confusion under Art 8(1)(b).</p>
GC T-493/12 <i>Sanofi SA v OHIM; GP Pharm SA</i> (24.09.14)	<p>GEPRAL</p> <p>- oncological preparations and preparations for cardiovascular treatments (5)</p> <p>DELPRAL</p> <p>- pharmaceutical preparations for the treatment of disorders of the central nervous system (5)</p> <p>(International mark)</p>	<p>The GC annulled the BoA's decision and held there was a likelihood of confusion between the marks under Art 8(1)(b).</p> <p>The goods had only a low degree of similarity, because they had different therapeutic indications and thus were not in competition or interchangeable with each other.</p> <p>However, the BoA erred by concluding that the marks at issue were only slightly visually similar. The relevant public would not pay particular attention to the differences in the beginning of the signs. Given the identity of the final letters 'pral', the signs had a high degree of visual similarity.</p> <p>Phonetically, the BoA had erred in concluding the syllables 'del' and 'gep' had perceptible differences. The comparison should have been between (i) 'del' and 'ge', and (ii) 'pral'. There was a phonetic similarity at least to an average degree.</p> <p>If marks at issue were placed on packaging, the relevant public could believe that the medicines came from the same or economically-linked undertakings marketing a family of products designated by the common</p>

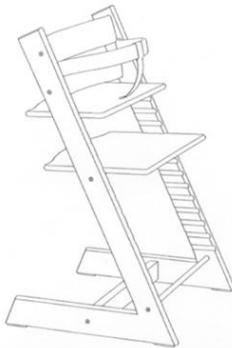
		ending 'pral'. There was therefore a likelihood of confusion between the marks.
GC T-490/12 <i>Arnoldo Mondadori Editore SpA v OHIM; Grazia Equity GmbH</i> (26.09.14)	GRAZIA - business consultancy (35) - financial consultancy and brokerage services (36)  - software pre-installed on computers (9) - newspapers and magazines (16) - telecommunication services (35) (Italian mark)	The GC upheld the BoA's decision to reject the opposition under Arts 8(1)(b) and 8(5) . The goods and services at issue were not similar as they had a different nature, intended purpose and method of use. Whilst financial and business consultancy services were usually offered with the aid of computers and involved the publication of information in printed or electronic form, that did not make those services similar to the goods and services covered by the earlier mark. The fact that the earlier mark had been used in relation to financial services was irrelevant as these services were not covered by its specification. Given that the goods and services were not similar the BoA had been right to find that there could be no likelihood of confusion notwithstanding the similarity of the marks. Whilst the BoA had been wrong to find that the earlier mark did not enjoy a reputation in Italy, it was still correct to reject the opposition under Art 8(5) . The dissimilarity of the goods and services and the different images which those goods and services evoked meant there was no likelihood that the public would make a link between the marks. The absence of such a link meant the mark applied for would not be likely to take unfair advantage of or be detrimental to the distinctive character of repute of the earlier mark.

3D Marks

Hauck GmbH & Co. KG v Stokke A/S and others (CJ (Second Chamber); C-205/13; 18.09.14)

The CJ has given guidance on the interpretation of **Article 3(1)(e)** in relation to the validity of 3D shape marks.

Mr Opsvik designed a children's chair called 'Tripp Trapp' that was marketed by Stokke on the Scandinavian and Dutch markets. Stokke registered the following Benelux mark which resembled the 'Tripp Trapp', for 'chairs, especially high chairs for children':



Hauck manufactured, distributed and sold children's high chairs, two of which it named Alpha and Beta.

Stokke brought an action in the Hague District Court claiming that Hauck's Alpha and Beta chairs infringed the copyright in the 'Tripp Trapp' chair and its Benelux trade mark registration. Hauck brought a counterclaim seeking a declaration that the Benelux trade mark was invalid. The District Court upheld Stokke's claims, but also the counterclaim for invalidity.

The Netherlands Court of Appeal upheld the decision of the District Court. In particular, the Court of Appeal held that the attractive appearance of the 'Tripp Trapp' chair gave the product substantial value. Furthermore, its shape was determined by the nature of the product – a safe, comfortable, reliable children's chair.

On appeal to the Hoge Raad der Nederlanden, the court referred questions to the CJ relating to the grounds for refusal or invalidity of the registration of a mark consisting of the shape of a product under **Article 3(1)(e)**.

Following *Lego Juris v OHIM* (**C-48/09** reported in *CIPA Journal*, October 2010) the CJ held that the ground for refusal in **Article 3(1)(e)(i)** (signs which consist exclusively of the shape which resulted from the nature of the goods themselves) was not restricted to signs which consist exclusively of shapes indispensable to the function of the goods in question such that it left the producer no leeway to make a personal essential contribution. If it were otherwise, the ground for refusal would only apply to (i) 'natural' products i.e. where there is no substitute; and (ii) 'regulated' products i.e. where the shape is prescribed by legal standards. Rather, **Article 3(1)(e)(i)** applies to signs which consist exclusively of the shape of a product with one or more essential characteristics (i.e. the most important elements of the sign) which are inherent to the generic function(s) of that product and which consumers may be looking for in competitors' products.

In relation to the ground for refusal under **Article 3(1)(e)(iii)** (signs which consist exclusively of the shape which gave substantial value to the goods), the CJ noted that the fact that the shape of a product was regarded as giving substantial value to that product did not mean that other characteristics might also give the product significant value. For example, in the case of the 'Tripp Trapp' chair, the shape gave it significant aesthetic value, yet at the same time it had other characteristics (safety, comfort and reliability) which gave it essential functional value. Therefore, this provision might apply to a sign which consisted exclusively of the shape of a product with several characteristics, each of which might give that product substantial value. Furthermore, the ground for refusal could not be limited purely to the

shape of products having only artistic or ornamental value. To do so could result in a product which had essential functional characteristics as well as a significant aesthetic element not being covered by the ground. This in turn could result in the proprietor being granted a monopoly on the essential characteristics of such products.

The presumed perception of the sign by an average consumer was not a decisive element when applying **Article 3(1)(e)(iii)**. However, it might be one relevant factor when identifying the essential characteristics of a sign.

Finally, the CJ held that each of the grounds of refusal under **Article 3(1)(e)** were meant to be applied independently of the others. Therefore, if one ground was satisfied the sign could not be registered, regardless of whether an additional ground might apply.

PASSING OFF

Insufficient goodwill in 'Cranford College' to establish passing off

Cranford Community College ('CCC') v Cranford College Ltd ('CCL')* (Judge Hacon; [2014] EWHC 2999 (IPEC); 19.09.14)

Judge Hacon dismissed CCC's claim for passing off against CCL on the basis that CCC did not own goodwill in its educational services of such a nature that a misrepresentation could arise. Therefore, there was no likelihood of a misrepresentation by CCL that it was CCC or otherwise associated with CCC. As a result, the Judge also found that two UK figurative trade marks registered by CCL were not invalidly registered under **Sections 5(4)(a)** and **3(6)**.

CCC was a private limited company which had operated a state secondary school in Cranford, West London since 1975 under the name 'Cranford Community School' and as 'Cranford Community College' since 1997. CCL was a privately owned educational establishment which offered courses for students of post-school age who mainly came from overseas. CCL traded as 'Cranford College' and was located in Cranford, around 500m from CCC. CCC brought proceedings against CCL, the focus of which was an allegation of passing off, relying on goodwill in its educational services since 1997 associated with the names 'Cranford Community College', 'Cranford College' and 'Cranford', as well as two logos. CCC's argument focussed on the use of 'Cranford College' by CCL on the basis that, if it failed to establish sufficient goodwill associated with 'Cranford College', proving goodwill in 'Cranford Community College' or 'Cranford' alone would not advance its case.

The Judge found that the relevant public lived in CCC's catchment area and consisted especially of parents and guardians responsible for those of school age, and also students of an age who were able to decide or influence which educational establishment they would attend. However, having found that 'Cranford College' was *prima facie* descriptive, the Judge considered that CCC's goodwill did not extend to those among whom 'Cranford College' had acquired no brand recognition. As CCC had not proved that the relevant public treated the name 'Cranford College' as referring only to CCC and not to any other body, the first element of passing off (goodwill) was not established. There was also no evidence that CCC had significant goodwill associated solely with its logo.

While there were instances of confusion between CCC and CCL among individuals such as taxi drivers, supply teachers on their first day, delivery men and the like, none concerned individuals who constituted the relevant public and among whom 'Cranford College' could have acquired the requisite secondary meaning. As such, there was no misrepresentation on the part of CCL, or sufficient evidence to suggest an intention on the part of CCL to pass itself off as CCC. As a result, CCL's mark was not invalidly registered under **Sections 5(4)(a)** or **3(6)**. The action was dismissed.

COPYRIGHT

Guidance on copyright exception for parody

Deckmyn & Anr v Vandersteen & Ots (CJ (Grand Chamber); C-201/13; 03.09.14)

The CJ gave guidance on questions relating to the exception to copyright for the purposes of parody under **Article 5(3)(k)** of the **Copyright Directive**.

The holders of copyright in the works associated with the *Suske en Wiske* comic books (*Spike and Suzy*) bought a copyright infringement action in Belgium against a Belgian politician, Deckmyn, who had distributed calendars including a drawing on the front cover which resembled the cover of one of the *Suske en Wiske* comic books in which the main character was wearing a white tunic and throwing coins to people who were trying to pick them up. The drawing at issue replaced the main character with the Mayor of Ghent and people picking up coins were replaced by people wearing veils and people of colour.

The court of first instance ordered Deckmyn to cease all use of the drawing, failing which he would have to pay a periodic penalty. Deckmyn appealed, submitting that the drawing was a political cartoon which fell within the scope of parody under Belgian law.

The Brussels Court of Appeal stayed proceedings and referred three questions to the CJ concerning the concept of parody for a preliminary ruling. The CJ held as follows:

1. The concept of parody under **Article 5(3)(k)** of the **Copyright Directive** must be regarded as an autonomous concept of EU law and interpreted uniformly throughout the EU. This interpretation was not invalidated by the optional nature of the exception mentioned in **Article 5(3)(k)**.
2. **Article 5(3)(k)** must be interpreted in accordance with its usual meaning in everyday language. The essential characteristics of parody, were, first, to evoke an existing work, while being noticeably different from it, and secondly, to constitute an expression of humour or mockery. The concept of parody was not subject to the conditions listed in the referred question (namely that parody should display an original character of its own, other than that of displaying noticeable differences with respect to the original parodied work; that it could be reasonably attributed to a person other than the author of the original work itself; or that it should relate to the original work itself or mention the source of the parodied work).
3. The application of the exception for parody must also strike a fair balance between the rights and interests of the authors and those of people wanting to use the copyright material. It was for the national court to determine whether the application of the exception for parody, on the assumption that the drawing at issue fulfilled the essential requirements of parody, preserved that fair balance. The CJ noted that if the national court's assessment was that the drawing conveyed a discriminatory message which had the effect of associating the protected work with such a message, attention should be drawn to the principle of non-discrimination based on race, colour and ethnic origin. In those circumstances, Vandersteen would, in principle, have a legitimate interest in ensuring that the protected work was not associated with such a message.

Research or private study copyright exception in libraries

Technische Universität Darmstadt ('TU Darmstadt') v Eugen Ulmer KG (CJ (Fourth Chamber); C-117/13; 11.09.14)

The CJ gave guidance on the research or private study exception to copyright infringement for library and equivalent institutions under **Article 5(3)(n)** of the **Copyright Directive**.

Under **Article 5(3)(n)** individual members of the public using dedicated library terminals are provided with an exception to copyright infringement for research and private study as long as the works in issue are not subject to purchase or licensing terms.

TU Darmstadt operated libraries with electronic reading points for users to access digitised versions of works of the library collection, including a textbook published by Ulmer. The reading points did not permit simultaneous access to more copies of works than the number owned by the library at any one time. Users could print out or store copies of works on USB drives. TU Darmstadt had previously declined to take up Ulmer's offer to purchase the textbook in e-book format.

Ulmer brought copyright infringement proceedings against TU Darmstadt in Germany. The Landgericht (Regional Court) Frankfurt am Main referred questions to the CJ on the interpretation of **Article 5(3)(n)**. The CJ held as follows:

1. The concept of 'purchase or licensing terms' as stated in **Article 5(3)(n)** required that the rightholder and establishment must have concluded an agreement setting out conditions of use for the work in question. If the mere act of offering to conclude a licensing agreement were sufficient to rule out the application of **Article 5(3)(n)**, this would have the effect of negating the substance of that limitation. Ulmer's offer of an e-book purchase did not satisfy this criteria;
2. **Article 5(3)(n)** read in conjunction with **Article 5(2)(c)** (an exception permitting libraries specific acts of reproduction not for commercial advantage) did not preclude Member States from granting publicly accessible libraries covered by these provisions the right to digitise the works contained in their collections, if such act of reproduction was necessary for the purpose of making these works available to users by means of dedicated terminals within these establishments; and
3. **Article 5(3)(n)** did not extend to acts of printing or storing on USB drives works from such dedicated terminals. Such acts might, if appropriate, be authorised under national legislation transposing the **Article 5(2)(a)** or **(b)** provided that conditions laid down in those provisions were met in each individual case.

DESIGNS

GC confirms invalidity of design for cookies

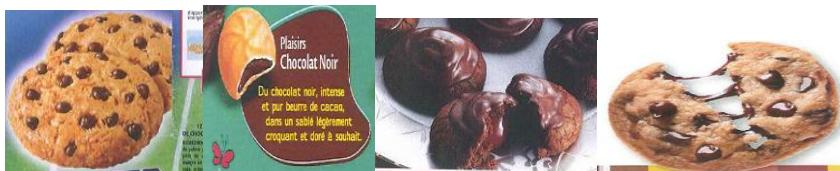
Biscuits Poult SAS v OHIM; Banketbakkerij Merba BV (GC; T-494/12; 09.09.14)

The GC upheld the BoA's decision that the design was invalid as it lacked individual character under **Articles 6** and **25(1)(b)**.

Biscuits Poult owned the Community design (reproduced below) intended to be applied to cookies.



Banketbakkerij Merba applied to OHIM for a declaration of invalidity pursuant to **Article 25(1)(b)**, submitting that the design was not new, lacked individual character and that its appearance was dictated by its technical function under **Articles 5, 6 and 8**. In support of its submissions, Banketbakkerij Merba provided some earlier designs of cookies including those set out below:



The Cancellation Division dismissed Banketbakkerij Merba's application. On appeal, the BoA overturned the decision; the design was invalid as it lacked individual character under **Article 6**. Biscuits Poult appealed to the GC, submitting that the BoA had incorrectly refused to consider the internal appearance of the design (which gave the design individual character) thereby failing to take account of the differences as compared to the earlier designs.

The GC dismissed the appeal and agreed with the BoA's assessment that as the chocolate filling was only visible when the cookie was broken, this characteristic was not to be taken into account in assessing the appearance of the product, and therefore individual character of the design. In doing so, the Court dismissed Biscuits Poult's submissions that the appearance of the chocolate filling ought to have been taken into consideration because the filling became visible during normal use of the product, and that this type of representation of a cookie reflected the advertising practices prevalent in the relevant sector. **Article 4(2)** (which protected designs applied to, or incorporated in, a product which constituted a component part of a complex product and remained visible during normal use of the complex product) related only to complex products – a cookie could not be considered a complex product.

Given the considerable design freedom, the GC concluded that the product's characteristics such as its irregular outer surface, golden colour and round shape were common to designs in the sector, and differences such as specific dimensions were not liable to produce a different overall impression on the informed user. The design could not therefore be regarded as having individual character.

BREACH OF CONFIDENCE

£1 in damages awarded for breach of confidence

***Richmond Pharmacology Ltd v Chester Overseas Ltd & Ots** (Stephen Jourdan QC); [2014] EWHC 2692 (Ch); 01.08.14**

Stephen Jourdan QC (sitting as a Deputy High Court Judge) found that Chester and its representatives were liable for breach of contract, breach of confidence and breach of statutory duty. However, since none of the breaches could be shown to have caused loss to Richmond, only nominal damages were awarded in respect of Chester's breach of contract.

Richmond was a contract research organisation formed by three doctors (the "Founders") who specialised in the design and conduct of pharmaceutical clinical trials. Richmond and the Founders entered into a shareholders' agreement (the "Shareholders Agreement") with an investment company, Chester, pursuant to which Chester invested in Richmond by subscribing for 44% of the issued share capital. The remainder of the share capital was to stay with the Founders. In addition, the Shareholders Agreement appointed Milton and Larry Levine (the "Levines", the second and third defendants), representing Chester, as directors of Richmond. The Shareholders Agreement required Chester to treat information regarding the affairs of Richmond as confidential but allowed the parties to disclose confidential information to their professional advisors and bankers.

Chester later instructed New World Corporate Finance Ltd ("NWCF"), a company providing corporate financial services, to assist with the sale of its shareholding in Richmond. NWCF proceeded to market Chester's shares to third party prospective purchasers. Richmond claimed that, in the course of this marketing, NWCF on behalf of Chester disclosed confidential information to third parties and created the misleading impression that all of the shares in Richmond were for sale. Richmond claimed that this caused it a substantial loss in business.

Did Chester owe a duty to Richmond to keep information confidential?

Stephen Jourdan QC found that Chester owed a contractual duty under the Shareholders Agreement to Richmond not to disclose to third parties any commercially sensitive information that it received as a result of its position as shareholder, or the Levines' position as directors, relating to the affairs of Richmond. This had the effect that Chester could not realistically sell its shareholding without the board approving the disclosure of information to potential purchasers. However, the Judge found that the commercial reality was that it was always going to be virtually impossible to sell Chester's shareholding without the co-operation of the Founders.

The Judge also found that, as directors of Richmond, the Levines owed Richmond certain statutory duties under the **Companies Act 2006**. Both Chester and the Levines also owed an equitable duty of confidence to Richmond, although this duty was no wider than that imposed under the Shareholders Agreement.

Did conveying information about Richmond to NWCF constitute a breach of Chester's duty to keep information confidential?

The Judge held that NWCF were Chester's professional advisors and accordingly the disclosure of confidential information by Chester to NWCF was permitted under the Shareholders Agreement and did not constitute a breach of any duty.

What information did NWCF communicate to third parties?

The marketing campaign by NWCF consisted of four stages:

- (i) a telephone call was made to 82 prospective purchasers to see if they would be interested in purchasing Chester's shares, but Richmond's name was not mentioned during these calls. The Judge found that no confidential information was disclosed as a result;
- (ii) conference calls were had with 25 prospective purchasers and Richmond's name was revealed to 13 of them. The Judge was unable to say with certainty what information was disclosed but found that it was very unlikely that confidential information was disclosed of substance or importance, although the impression was given that all of Richmond's shares were for sale;
- (iii) a "teaser" document was sent to 3 prospective purchasers which included information about Richmond including a brief description of its business, a statement that the

Founders intended to still run the business after the share sale and several positive statements about the company. The Judge found that this disclosure did involve disclosing confidential information about Richmond's business but that it was not of the type that could reasonably be expected to enable a competitor of Richmond to gain an advantage over it. It was also found that the teaser intended to give the impression that all of the shares in Richmond were for sale; and

- (iv) a meeting was had with 1 prospective purchaser and a modified business plan was disclosed. As the purchaser made it clear that they were not interested in buying shares in Richmond, the Judge found it was unlikely that any confidential information apart from that in the modified business plan was disclosed.

Did NWCF's disclosure of information to third parties constitute a breach of Chester's duty to keep information confidential?

The Judge held that both the disclosure of confidential information by NWCF acting on behalf of Chester and telling prospective investors that all of the shares in Richmond were, or might be, for sale, constituted a breach of the Shareholders Agreement.

In relation to the Levines, the Judge held that they had breached their statutory duty to avoid conflicts of interest under the **Companies Act 2006**. This was because they were acting as representatives of Chester, which had breached the confidentiality clause in the Shareholders Agreement.

Did Richmond consent to the disclosure of information or was it estopped from asserting that it did not consent?

It was held that Richmond's failure to object to what NWCF was doing could not reasonably have been understood as meaning that it assumed any element of responsibility, nor did its silence amount to an acceptance that NWCF's actions were lawful.

Did any of the information disclosed by NWCF cause a reduction in Richmond's business and a loss to Richmond?

In finding that the information disclosed by NWCF did not cause a reduction in Richmond's business, the Judge took into account a number of other factors including: (i) Richmond was involved in commercial disputes with some of its customers; (ii) another contract research organisation was buying market share through aggressive pricing strategies at the relevant time; and (iii) there has been a decline in Japanese work in 2011, due in part to the tsunami that year.

In conclusion, although the defendants had committed some breaches of their contractual, statutory and equitable duties, those breaches had caused no loss to Richmond. Therefore, the Judge ordered Chester to pay nominal damages to Richmond of £1.

Katharine Stephens, Zoe Fuller and Hilary Atherton

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The reported cases marked * can be found at <http://www.bailii.org/databases.html#ew> and the CJ and GC decisions can be found at http://curia.europa.eu/jcms/j_6/home