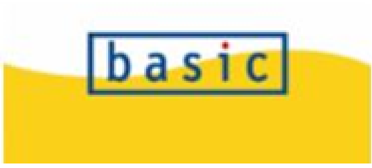
August 2014

TRADE MARKS

Decisions of the GC

Ref no.	Application (and where applicable, earlier mark)	Comment
GC **T-382/12** *Kampol sp. Z o.o. v OHIM; Colmol-Colchões, SA* (19.06.14)	 - cushions for medical purposes, blankets and quilts for medical purposes (10) - woollen blankets, quilts, bed covers, pillowcases and mattress covers, duvets (24) **NOBEL** - mattresses (20) (Portuguese mark)	The GC dismissed the appeal from the BoA's decision to allow the opposition, finding a likelihood of confusion between the marks under **Art 8(1)(b)**. The GC agreed with the BoA's conclusion that the goods were similar to an average degree. The GC held that the BoA erred in finding a high degree of visual similarity; the figurative elements of the mark applied for made the marks visually similar to an above average degree. The marks were phonetically identical and conceptually neutral as 'nobel' had no meaning in Portuguese. The fact that Kampol had registered a Polish mark predating registration of the Portuguese mark had no effect on the priority of the Community application. Kampol also failed to demonstrate that the Portuguese mark's coexistence with other marks including the word 'nobel' was due to an absence of likelihood of confusion. It followed that there was a likelihood of confusion between the marks.
GC **T-372/11** *Basic AG Lebensmittelhandel v OHIM; Repsol YPF, SA* (26.06.14)	 - retail and wholesale services relating to foodstuffs, fresh fruits and vegetables, alcoholic and non-alcoholic beverages and syrups, effervescent tablets and other preparations for making beverages, mail order (except transport) or internet retail services, all in	The GC upheld the BoA's finding that there was a likelihood of confusion between the marks under **Art 8(1)(b)**. The BoA was correct to find that the relevant public comprised professionals who alone were likely to use both the services covered by the mark applied for and the earlier mark. The BoA was also correct to find that distribution and wholesale services were similar (because each contributed to the same ultimate objective of a sale to an end consumer) and were also

	relation to beverages and foodstuffs (35) - distribution of staple foodstuffs, pastry and confectionery, ices, prepared meals (39)	complementary (as a wholesaler might use distribution services and vice versa). The BoA was also correct to find that retail and distribution services (which related to identical or highly similar goods) were similar as retailers were generally dependent on the services of distributors. The public would think that those services were carried out by the same undertaking. Furthermore, as the goods covered by the services at issue were themselves identical or highly similar, it followed that the services at issue were similar. Given that the marks were phonetically and conceptually identical with a low degree of visual similarity and the services were similar, the BoA was correct to find that there was a likelihood of confusion notwithstanding the earlier mark's low degree of distinctive character.
GC **T-541/11** *Fundação Calouste Gulbenkian v OHIM; Micael Gulbenkian* (26.06.14)	**GULBENKIAN** - fuels, petroleum, industrial oils and grease and lubricants (4) - alcoholic beverages (33) - consultancy, advice on the provision of services in the field of management (35) - insurance, financial affairs (36) - service stations (37) - educational services (41) - technical consultancy, development of studies and projects, consultancy (42) - healthcare (44) (Portuguese mark) **FUNDAÇÃO CALOUSTE GULBENKIAN** (well-known mark and company name) All covering: arts, charity, science, education, technical and management	The GC dismissed an appeal from the decision of the BoA. The BoA had been correct to find a likelihood of confusion under **Art 8(1)(b)** between the earlier well-known mark and the mark applied for in relation to educational services (Class 41) and healthcare (Class 44). The BoA had also been correct to find that evidence of use of the company name in the field of biomedicine satisfied conditions set out in **Art 8(4)**. Consequently, there was a likelihood of confusion between the company name and mark applied for in respect of the services relating to development of studies and projects, as well as to consultancy (Class 42). Finally, the BoA had been correct to reject the opposition under **Art 8(4)** in relation to technical and management services related to the oil industry as Fundação had not established use for those services. Furthermore, in relation to goods and services in respect of which the opposition was not upheld, to the extent that earlier rights had been proved, the goods or services were dissimilar.

	services related to the oil industry	
GC **T-480/13** *You-View.tv v OHIM; YouViewTV Ltd* (01.07.14)	**YOUVIEW+** - various goods and services in Classes 9, 16, 38, 41 and 42 You View You-View.tv - various services in Classes 35, 38 and 41 (Benelux mark)	The GC annulled the BoA's decision that You-View.tv's opposition should be rejected on grounds that it had failed to provide proof that it was the owner of the earlier figurative mark. You-View.tv's evidence of ownership of the earlier mark established that You-View.tv BVBA was the proprietor of the mark, as opposed to You-View.tv. To establish ownership, it submitted late evidence in the appeal proceedings that it had become a public limited company. However, the BoA dismissed the appeal on the basis of a literal interpretation of **Rule 20(1)** of **Reg 2868/95** that non-compliance cannot be made good by late submission of documents. The GC held that the wording of **Art 76(2)** meant that, as a general rule, OHIM was not prohibited from taking account of facts and evidence which were submitted late. In failing to exercise its discretion, the BoA infringed **Art 76(2)**.
GC **T-1/13** *Advance Magazine Publishers, Inc v OHIM; Montres Tudor SA* (04.07.14)	**GLAMOUR** - jewellery, precious stones, costume jewellery, cuff links, tie pins, horological and chronometric instruments (14) **TUDOR GLAMOUR** - jewellery, jewellery articles, watches, component parts of timepieces, clocks and other chronometrical instruments, dials, boxes, cases and presentation cases for watches and jewellery (14) (International mark)	The GC upheld the BoA's decision that there was a likelihood of confusion under **Art 8(1)(b)**. The goods at issue were identical. Whilst the relevant public consisted of average consumers, their level of attention would be high given the nature of the goods. The common word element 'glamour' made the marks visually and phonetically similar. Although it was the first component of the earlier mark, the word 'tudor' was of no greater visual or phonetic importance than the word 'glamour' so its presence did not remove these similarities. Whilst the marks could be perceived as conceptually different by those with a command of English and an in-depth knowledge of English history, they would be conceptually similar for the non-negligible part of the public without such historical knowledge and would be conceptually neutral for the non-negligible part of the public who did not speak English. Given the identical nature of the goods

		and the fact the marks were similar to a significant degree, the BoA was correct to find a likelihood of confusion.
GC **T-196/13** *Nanu-Nana Joachim Hoepp GmbH & Co. KG v OHIM; Lina M. Stal-Florez Botero* (16.07.14)	la nana - paper and cardboard goods (16) - furniture (20) - textiles and textile goods, beds and table covers (24) **NANA** - paper and cardboard goods, stationery, calendars, newspapers, artists' materials (16) - furniture (20) - bed and table covers, textile goods, pillows (24) (German mark)	In invalidity proceedings, the GC upheld the BoA's finding that there was no genuine use of the earlier mark under **Arts 57(2), (3)** and **8(1)(b)**. The affidavits presented as evidence of use were from an employee of a company belonging to the same group as Nanu-Nana and were thus of less evidential value than evidence from an independent third party. Nanu-nana did not supplement the turnover figures given in the affidavits with any other relevant evidence; the only additional evidence were some undated photographs of some of the goods concerned. Those photographs in no way demonstrated the time and extent of the use of the earlier mark. In addition, the affidavits simply stated that the earlier mark had been used but were unspecific as regards the goods or types of goods sold and did not allow for any conclusions to be drawn as regards the time and extent of use of the earlier mark in relation to goods covered by that mark.
GC **T-324/13** *Endoceutics, Inc. v OHIM; Merck KGaA* (16.07.14)	**FEMIVIA** - pharmaceutical preparations for the prevention and treatment of medical conditions related to the menopause (5) femibion - pharmaceutical preparations; dietetic preparations on the basis of vitamins, minerals, trace elements, oils and fats, either apart or combinations thereof (5) - dietetic preparations or food supplements (not for medical use) (29 and 30) (International mark)	The GC upheld the BoA's decision that there was a likelihood of confusion between the marks under **Art 8(1)(b)**. The BoA based its assessment on the Spanish speaking public. The marks had an average degree of visual similarity. The first four letters and the sixth letter of the marks were identical; the differences between the marks did not offset the similarity derived from their identical letters. The marks had a high degree of phonetic similarity. The marks had an identical number of syllables, with only the last syllable being pronounced differently because in Spanish the letter 'v' is pronounced like a 'b'. Due to the common prefix 'fem', there was also a certain conceptual similarity between the signs. Given further the identity of the

		goods, there was a likelihood of confusion between the marks, despite the weak distinctive character of the 'fem' prefix.

A service consisting of bringing together services can fall within the Trade Marks Directive

***Netto Marken-Discount AG & Co. KG ('Netto') v Deutsches Patent-und Markenamt* (CJ (Third Chamber); C-420/13; 10.07.14)**

The CJ has provided guidance on questions relating to the interpretation of 'service' within the meaning of **Article 2** of the Directive.

Netto filed a trade mark application for goods and services in Classes 18, 25, 35 and 36 with the Deutsches Patent-und Markenamt (German Patent and Trade Mark Office, 'DPMA'). The Class 35 specification covered, *inter alia*, 'Services in the retail and wholesale trade, particularly the bringing together, for the benefit of others, of a variety of services enabling customers conveniently to purchase those services...'.

The DPMA rejected the application in relation to the Class 35 services on the ground that those services could not be clearly distinguished from other services in either their substance or scope. Netto appealed to the Bundespatentgericht. The Bundespatentgericht observed that the CJ had not yet ruled on whether protection by a trade mark may be obtained with respect to retail trade in services, and therefore stayed the proceedings and referred questions to the CJ for a preliminary ruling.

The CJ held as follows:

1. The provision of services provided by an economic operator (e.g. a retailer), which consisted of bringing together services so that the consumer could conveniently compare and purchase them might come within the concept of 'services' referred to in **Article 2** of the Directive. The CJ had previously held that the retail trade of goods (which could constitute 'services') included not only the sale of those goods, but also other activities of the retail trader such as selecting an assortment of goods offered for sale and services aimed at inducing the consumer to purchase those goods from that trader rather than from a competitor. In particular, the provision of bringing together and advertising third party services also fell within such retail trader activities, and could fall within Class 35.

2. When formulating the trade mark specification for a service consisting of 'bringing together' services, **Article 2** of the Directive was to be interpreted as meaning that the specification must be formulated with sufficient clarity and precision to allow the competent authorities and other economic operators to know which services the applicant intended to bring together. It was not necessary, however, for the applicant to specify in detail each of the activities making up that service. If the applicant used general indications included in the class headings to identify the services it intended to bring together, where part of the class heading was used, it was for the competent authorities to assess whether such indications satisfied the necessary requirements of clarity and precision. Where all the general indications of the class were used to identify the services the applicant intended to bring together, the applicant must specify whether it is referring to all the goods or services included in the list of that class or only some of them, otherwise the application could not be considered sufficiently clear and precise (referring to *Chartered Institute of Patent Attorneys v Registrar of Trade Marks,* Case C-307/10*,* reported in CIPA *Journal*, July 2012).

Retail store layouts capable of registration

***Apple Inc. v Deutsches Patent- und Markenamt* ('DPMA') (CJ (Third Chamber); C-421/13; 10.07.14)**

The CJ held that a sign depicting the layout of Apple's flagship stores was capable of registration as a 3D trade mark for goods and services in Class 35.

Apple obtained a US trade mark registration for '*retail store services featuring computers, computer software, computer peripherals, mobile phones, consumer electronics and related accessories and demonstrations of products relating thereto*'. The representation, described by Apple as '*the distinctive design and layout of a retail store*', is shown below:

Apple subsequently sought to extend the US trade mark registration internationally under the Madrid Agreement. However, that extension was refused by the DPMA in Germany on the ground that the design was nothing other than the representation of an essential aspect of Apple's business. The DPMA considered that, while consumers might perceive the layout of such a retail space as an indication of the quality and price bracket of the products sold, they would not see it as an indication of their commercial origin. The DPMA also considered that the layout of the retail store which was the subject of the mark was not sufficiently distinguishable from the stores of other providers of electronic products.

Apple appealed to the German Federal Patent Court (Bundespatentgericht), which considered that the store layout depicted by the mark in issue had features which distinguished it from the stores of other providers of electronic products. Nevertheless, it stayed the proceedings and referred four questions to the CJ.

The CJ stated that it was '*absolutely plain*' from the wording of **Article 2** that designs were among the categories of signs capable of graphic representation. Therefore, it followed that a representation which depicted the layout of a retail store by means of an integral collection of lines, curves and shapes could constitute a trade mark. Consequently, such a representation would satisfy the requirements of **Article 2** without it being necessary to either (i) attribute any relevance to the fact that the design did not contain any indication as to the size and proportions of the retail store that it depicted, or (ii) examine whether such a design could equally, as a 'presentation of the establishment in which a service is provided', be treated in the same way as 'packaging' within the meaning of **Article 2**.

On the issue of distinctiveness, the CJ said that the layout of a retail store was capable of distinguishing the products or services of one undertaking from those of other undertakings, such as when the depicted layout departed significantly from the norm or customs of the economic sector concerned. However, the distinctive character of the sign must still be assessed for the purposes of **Article 3(1)(b)**, and the sign must also satisfy the other criteria for registration contained in **Article 3(1)**.

Provided the conditions set out in **Articles 2** and **3(1)** were satisfied, the CJ found that a sign depicting the layout of flagship stores of a goods manufacturer could be registered not only in respect of the goods themselves but also for services, even where those services did not form an integral part of the offer for sale of those goods. Certain services, such as those referred to in Apple's application and during the proceedings, including the carrying out of in-store demonstrations of the products on display there, could constitute remunerated services falling within the concept of 'service'.

The CJ held that the fourth question was inadmissible because the scale of the protection covered by a trade mark such as the one in issue was not relevant to the subject matter of the proceedings, which were exclusively concerned with the registrability of the mark in issue.

Survey evidence regarding acquired distinctiveness allowed

Enterprise Holdings Inc v Europcar Group UK Ltd & Anr* **(Morgan J; [2014] EWHC 2498 (Ch); 22.07.14)**

Morgan J allowed Enterprise's application for permission to rely on survey evidence in relation to the distinctiveness of its marks, on the basis that it was likely to be of real value at trial and justified the cost.

Both Enterprise and Europcar provided vehicle rental services. Enterprise brought proceedings against Europcar for trade mark infringement and passing off. The trade mark infringement case related to three UK trade marks and seven CTMs and engaged **Articles 9(1)(b)** and **(c)** in relation to the CTMs and **Sections 10(2)** and **(3)** in relation to the UK registered marks. Europcar did not admit Enterprise's claim that its marks had acquired enhanced distinctiveness or reputation, or its claim that there was goodwill associated with its marks.

The Court had previously directed that neither party had permission to adduce survey evidence without leave. Enterprise sought permission to: i) adduce in evidence the results of a survey that had already been carried out for the purpose of proceedings before OHIM; ii) adduce in evidence the results of a further pilot survey already carried out for the purposes of the present proceedings; (iii) carry out a full survey based on the pilot survey; and (iv) rely on expert evidence in relation to the surveys. For the purpose of the proposed survey evidence, Enterprise selected one of its CTMs: a stylised letter "e" on a green background (the "Green Logo").

Morgan J referred to *Marks and Spencer v Interflora* [2012] EWCA 1501 *(Interflora 1)* where, although **Lewison LJ** had focussed on survey evidence in relation to alleged confusion, he said also that different considerations may come into play where the issue was one of acquired distinctiveness. Nevertheless, **Morgan J** was of the view that the test to be applied was no less strict and the court was bound to consider: (i) whether the survey was likely to be of real value, including whether it was likely to be held to be valid at trial; and (ii) whether the cost of the survey was justified by the likely benefit.

<u>Were the surveys likely to be of real value?</u>
The Judge held that it was likely that the surveys would be of real value at trial because the trial judge would not be able to determine with certainty whether the Green Logo, by itself, had acquired distinctive character using his own knowledge and experience. While decisions of the CJ envisaged that the utility of a survey would be assessed as part of the overall assessment at trial, the 'gatekeeping court' in this case did not have sight of all the other evidence as to acquired distinctiveness which the trial judge would have. However, following the decision in *Zee Entertainment Enterprises Ltd v Zeebox Ltd* [2014] EWCA Civ 82, the Judge considered that he was not required to attempt to determine whether the survey would be of real value in addition to the other evidence.

<u>Did the likely value of the surveys justify the cost?</u>
Morgan J said that the cost/benefit test must be primarily for the purpose of the party which opposed the admission of the survey evidence. In this regard, he commented that Europcar had already incurred higher costs opposing the survey application than the estimated cost of the survey itself. As a result, the Judge held that the likely value of the

surveys did justify the cost in this case and granted Enterprise permission to rely on the survey evidence applied for.

***Norwich Pharmacal* relief requiring disclosure of suppliers of infringing goods refused**

***Wilko Retail Ltd v Buyology Ltd** (Judge Hacon; [2014] EWHC 2221 (IPEC); 07.07.14)**

In an action for summary judgment or alternatively judgment on admissions in an action for trade mark infringement and passing off, **Judge Hacon** refused to order Buyology to disclose the names and addresses of its suppliers of the infringing goods.

Wilko ran a business of some 370 stores in the UK which sold a wide variety of consumer goods. It owned 3 UK registrations for the trade marks WILKO. Buyology had 8 stores in south west England and in Wales specialising in the sale of discounted stock. Wilko brought trade mark infringement and passing off proceedings against Buyology in relation to its sale of goods bearing the sign WILKO.

In letters before action, Wilko requested that Buyology cease offering WILKO-branded products for sale and disclose the name and address of its suppliers. However, Wilko did not seek disclosure of details of Buyology's suppliers in its Particulars of Claim. Buyology admitted trade mark infringement, and Wilko wrote to Buyology enclosing a draft consent order to bring the proceedings to an end. The draft did not contain a requirement that Buyology disclose any information regarding its suppliers. Buyology agreed to the form of consent order and additionally suggested that Wilko collect the infringing goods and that the parties agree a figure for damages. Wilko subsequently sought an order for disclosure of details of Buyology's suppliers of the infringing goods in the form granted in *Norwich Pharmacal* [1974] AC 133.

Judge Hacon found that Wilko's proposed draft consent order and Buyology's agreement thereto constituted an offer by Wilko and acceptance by Buyology rather than an offer and counter offer. However, the so-called 'qualifications' made by Buyology regarding delivery up and damages were no more than suggestions on how the terms of the settlement should be implemented. Further, since the Particulars of Claim did not include a claim to disclosure of Buyology's suppliers, the dispute regarding such disclosure was outside the pleaded claim at the time of the settlement. The rule in *Henderson v Henderson* [1843] 3 Hare 100 did not apply because the application for *Norwich Pharmacal* disclosure was made as part of the present proceedings and not as a fresh application. Therefore, the terms of the agreement did not preclude Wilko from seeking disclosure.

However, **Judge Hacon** considered that whether *Norwich Pharmacal* disclosure should be ordered depended on the balance of irreparable harm, analogous to the balance applied in the context of an application for an interim injunction (referring to *Eli Lilly & Co Ltd v Neolab Lt*d [2008] FSR 25, and applying the judgment of the CA in *Sega Enterprises Ltd v Alca Electronics* [1982] FSR 516). The Judge found that if disclosure was ordered, Buyology's business may suffer irreparable harm as resentful suppliers could find themselves subject to investigations on behalf of Wilko and at risk of litigation, justified or otherwise. Buyology had not been aware that the goods were infringing before it had been put on notice by Wilko, and Buyology's defence had been 'exemplary' in admitting its wrongdoing. The Judge therefore refused to grant the disclosure on the balance of irreparable harm.

DESIGNS

Account of profits

Victor Ifejika v Charles Ifejika & Anr* **(Judge Hacon; [2014] EWHC 2625 (IPEC); 31.07.14)**

In an account of profits, **Judge Hacon** ordered Charles Ifejika to pay his brother Victor the sum of £15,800 in respect of his infringement of Victor's UK unregistered design right subsisting in one aspect of a contact lens cleaning device.

The Judge assumed that Lens Care (the second defendant) had purchased about 510,000 units of the infringing product from its supplier during the relevant period (on the basis of an agreed summary of sales and purchases derived from Lens Care's VAT returns). That figure was also adopted as the number of infringing products sold by Lens Care, at a gross profit of £803,000. The only deductible cost claimed by Charles was £12,350 for packaging costs. Adopting a "broad brush" approach, the Judge came to the view that the proportion of the remaining profit which was attributable to the infringing feature of the design was 2%. Therefore, the relevant profit made by Charles as a result of the sale of the infringing product was held to be 2% of £790,000, i.e. £15,800.

The Judge treated the proceedings as if Charles had undertaken to take a licence of right under **Section 239(2)** CDPA 1988. However, as there was no realistic prospect that the Comptroller would settle a licence at less than 1% of the net profits made from the sales of the infringing products, **Section 239(1)(c)** (which provided that the amount recoverable by way of damages or an account of profits shall not exceed double the amount payable under such a licence) made no difference to the account in this case.

COPYRIGHT

Quantum of damages

Victor Lilley v Euromoney Institutional Investor Plc & Ots* **(Birss J; [2014] EWHC 2364 (Ch); 16.07.14)**

Birss J refused to strike out Mr Lilley's copyright infringement claim against one of the three defendant publishers in its entirety. He went on to set out the basis upon which the quantum of damages would be assessed in order to enable Mr Lilley to advance a proper case on the issue.

Mr Lilley (a litigant in person) was an author who had written articles for various magazines in the 1990s, for which the three defendant publishers had paid him a fee of between £150 and £450 per article. Each publisher had published between three and thirteen of Mr Lilley's articles in their respective magazines. Mr Lilley claimed that the articles' subsequent publication on the internet was unlicensed and claimed damages for copyright infringement from the three publishers in amounts of £27 million, £117 million and £450 million respectively.

Birss J said that the starting point in considering Mr Lilley's damages claims was the three groups of damages claim identified in *General Tire v Firestone* [1975] 1 WLR 810. He rejected Mr Lilley's argument that damages should be calculated on a 'group 2' basis, i.e. that he was a licensor of his copyrights in the articles such that for each individual instance a sum equivalent to his licence fee should be charged. The Judge held that, as Mr Lilley did not have an established business licensing acts of the kind alleged to infringe, the case fell within the *General Tire* 'group 3', i.e. damages were to be calculated on an objective, willing licensor/licensee basis.

However, he went on to say that "*an obsession with the group into which the case falls may not help*". He said that the court, if it found infringement of the kind alleged, would want to find a sum which "*properly compensated*" Mr Lilley for the infringements. The correct sum would be based on considering "*actual, commercially realistic rates for the appearance of the articles on the internet*", and would not be a sum like the amounts claimed that would produce a *"huge windfall"* for Mr Lilley.

Birss J dismissed other applications made by Mr Lilley as totally without merit. These included an application for the Judge to recuse himself and an application to set aside an earlier judgment of **Roth J** striking out most of Mr Lilley's claim against one of the three publishers. The Judge struck out in its entirety Mr Lilley's claim against another of the three publishers. He went on to make an Extended Civil Restraint Order against Mr Lilley on the basis that he was a litigant who "*would not take no for an answer*" and that there was a real likelihood of him making future applications which were also totally without merit.

Infringement of copyright and repudiatory breach of contract found in relation to flight training manuals

Bristol Groundschool Ltd ('BGS') v Intelligent Data Capture Ltd ('IDC') & Ots* **(Richard Spearman QC; [2014] EWHC 2145 (Ch); 02.07.14)**

Richard Spearman QC (sitting as a Deputy Judge of the Chancery Division) found that BGS was the owner of the copyright in certain computer-based pilot training materials and that IDC had infringed that copyright. BGS was also successful in its claim that by turning off BGS's and its customers' access to online material, IDC was in breach of its agreement with BGS. IDC's counterclaim that, by dishonestly accessing IDC's systems BGS had committed a repudiatory breach of the agreement, was rejected. However, BGS's conduct in relation to the accessing and downloading of that material from IDC's systems was held to have amounted to copyright infringement and constituted an offence under the **Computer Misuse Act 1990**.

BGS and IDC entered into an agreement pursuant to which IDC agreed to create certain artworks and graphic material for BGS and to assist BGS in converting its existing aviation training manuals into electronic format (the "2001 Agreement"). The 2001 Agreement also required IDC to create quiz questions for users of the electronic training manual and a computer program (which was subject to a copy protection system) which collated answers and student data and kept that data on a web server and on the client-school's online application, permitting that client-school to track its students' progress. Several issues arose when the relationship between IDC and BGS broke down in 2009. Both parties created competing products using the copyright materials which were the subject of the present proceedings. It was therefore conceded that whichever party did not own the copyright in those materials would be infringing the other party's copyright.

<u>Works "produced by IDC"</u>
The first issue was ascertaining who owned the copyright in various types of works produced by IDC and provided to BGS. The Judge relied on the principle set out in *Rainy Sky SA v Kookmin Bank* [2011] 1 WLR 2900 that, where a contract could be construed in two ways, the court was entitled to prefer the construction which was more consistent with business common sense. On that basis, he agreed with BGS that a clause in the 2001 Agreement which stated "*[BGS] owns and retains the copyright to its textual material and to the static artworks produced by [IDC] for inclusion in the syllabus document"* must be taken to mean that, in exchange for paying IDC for those works, the copyright in those artworks was owned by BGS.

It was relevant that the parties had expressly precluded one particularly complicated artwork (which IDC licensed from a third party) from that clause, the implication being that the copyright in all other static artworks made available to BGS would be owned by BGS. Otherwise the parties would also have expressly excluded those other artworks. IDC had argued that certain artworks produced had in fact been created by IDC for third parties and then also shared with BGS, such that the assignment of copyright to BGS would infringe those third parties' rights. The court rejected this submission; given that there was an express term in the contract, common sense dictated that BGS was entitled to have assigned to it all copyright in the training materials produced by IDC, and it was for IDC to ensure that all such copyright was assignable. However, the court did not go so far as to assign copyright in artworks which was owned by third parties to BGS. Rather, where such artworks were made available to BGS by IDC, IDC was found to be in breach of contract for failing to assign the copyright in those works and BGS's remedy for that breach lay in damages.

<u>IDC's failure to provide technical support and authorisation codes to BGS's customers</u>
The Judge found that IDC was in breach of the 2001 Agreement when it withdrew support and failed to provide authorisation codes for digital editions of BGS's aviation manuals to BGS's customers. However, IDC was only in breach where it failed to provide services for which BGS had paid; IDC was not in breach where payment from BGS was overdue.

<u>Implied term of reasonable notice</u>
The court considered the notice period which would be reasonable having regard to the steps each of the parties would have to take to continue their interests. IDC needed time to recoup its investment, which was unevenly dispersed throughout the life of the 2001 Agreement, and both parties needed time to develop material to enable them to continue to operate. In the circumstances, 12 months was considered too long to tie the parties together after the relationship had failed, but 9 months was reasonable.

<u>Repudiatory breach of contract</u>
Having regard to *Yam Seng PTE Ltd v International Trade Corp* [2013] EWHC 111, the Judge held that an implied term to act honestly and in good faith must be read into the 2001 Agreement given the long term "relational" nature of it. He found that BGS had not acted honestly when it accessed IDC's servers and downloaded material to which it knew it was not entitled. Even if those actions were taken for "self-help" purposes (i.e. because BGS feared that IDC would cut off BGS's and its customers' access to the online material) they did not warrant the disregard which BGS showed for IDC's rights.

In addition, all of the elements of the offence under **Section 1** of the **Computer Misuse Act 1990** were made out, as were infringement of IDC's copyright and breach of **Section 296ZA**. Nevertheless, the Judge did not consider that BGS's actions amounted to a repudiatory breach of the 2001 Agreement. BGS's conduct did not mean that it could not still perform its main obligations under the 2001 Agreement, i.e. its obligation to create the text for the training materials, to promote the material, and to make any necessary payments to IDC. Further, despite IDC's knowledge of BGS's actions, IDC chose not to terminate the contract. Therefore, even if BGS was in repudiatory breach of the 2001 Agreement, it was not a defence to IDC's later breach of the 2001 Agreement which brought the relationship between the parties to an end.

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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.euro pa.eu/jcms/jcms/j_6/home