

# European Commission probe into exclusive licensing of pay-TV rights

THE EUROPEAN COMMISSION HAS LAUNCHED A FORMAL COMPETITION LAW INVESTIGATION INTO PAY-TV LICENSING ARRANGEMENTS

The investigation could have wide reaching effect on the business models of content owners who license their rights on the basis of exclusive territories. The investigation concerns agreements between major US film studios (Twentieth Century Fox, Warner Bros., Sony Pictures, NBC Universal and Paramount Pictures) and Europe's pay-TV broadcasters including BSkyB, Canal+, Sky Italia, Sky Deutschland and DTS of Spain. The Commission will investigate whether the arrangements prevent cross-border provision of pay-TV services.

The investigation comes in the wake of the ruling by the Court of Justice of the EU (CJEU) in Joined Cases C-403/08 and C-429/08, *Football Association Premier League Ltd v QC Leisure, Murphy v Media Protection Services Ltd* [2012] 1 CMLR. The proceedings concerned attempts by FAPL to enforce its exclusive licensing of satellite TV rights for the Premier League through the criminal and civil law. The English domestic case involved the now infamous Mrs Murphy who faced criminal prosecution for allegedly illicitly obtaining satellite decoders to show Greek satellite broadcasts of Premier League matches.

On a reference from the High Court the CJEU ruled that the EU rules on free movement contained in Article 56 of the Treaty on the Functioning of the EU (TFEU) precluded national legislation that made it unlawful to import and sell foreign decoding devices. The restriction could not be justified by the objective of protecting IP rights. It ruled that the grant of exclusive satellite broadcasting licences for the territory of a member state or states and which required the licensee not to supply decoding cards to enable viewing outside the territory restricted competition within Article 101(1) TFEU.

The upshot was that publicans using foreign decoders to screen foreign satellite broadcasts of Premier League matches to their customers will be infringing copyright through such a 'communication to the public'.

As a further interesting twist, the copyright that is infringed is that relating to the logos, and graphics in the opening sequence and music.

The Commission's current investigation is rather specific in focusing on absolute territorial protection in the licensing of films in the pay-TV sector. However, owners and licensees of other premium content such as music and sports will be watching developments for potential read-across to or differentiation from their situation. A key issue to ask is whether the investigation will unsettle the comfort embodied in case 262/81 *Coditel II* [1982] ECR 3381 that exclusive territorial licences do not, of themselves, infringe EU competition law within Article 101(1) TFEU. The CJEU in *Murphy* cast doubt on whether such clauses could meet the exemption conditions in Article 101(3) TFEU and thereby escape prohibition.

There is no legal deadline during which the Commission must conclude inquiries into alleged anticompetitive conduct.

✦ SUZANNE RAB has wide experience of EU law and competition law matters combining cartel regulation, commercial practices, IP exploitation, merger control, public procurement and State aid.



This edition of Serle Speak focuses upon intellectual property, sports, entertainment and media law. *Chambers & Partners* and/or *Legal 500* recommend individual members in each of those areas: Michael Edenborough QC (IP), Elizabeth Jones QC (media and entertainment, and who was highly commended in IP, IT and Media at the Legal 500 UK Awards), Patrick Talbot QC, Kuldip Singh QC and Philip Marshall QC (Media, entertainment and sport), and Christopher Stoner QC (sport).

Members of Chambers have been involved in a wide range of such cases, which often involve other areas of business law. Examples include: trade mark appeals before the General Court (Luxembourg), High Court and Appointed Person; registered design and design right infringement trial; copyright infringement and breach of confidential information in the context of various breaches of directors' duties in two high technology companies; patent trials involving electrical components; an enquiry as to damages in a music case; a tax case involving goodwill vested in companies; and advising sporting bodies, e.g. various football clubs on such matters as endorsement rights and the Royal Yachting Association.

Not only are there silks in Chambers who are experts in these areas, but there is also a strong cadre of juniors who practise in these areas, and who receive instructions in their own names directly from a wide variety of sources, including patent and trade mark attorneys and in-house counsel. **Michael Edenborough QC**

## Utopia – Dystopia

A RECENT AND PERHAPS UNUSUALLY BAD-TEMPERED IP CASE GIVES FOOD FOR THOUGHT ON THE EFFECTS OF CONTEMPT APPLICATIONS DURING THE LIFE OF THE MAIN PROCEEDINGS.

What ought to have been a straightforward matter of registered design and unregistered design right infringement in relation to the design for a beer glass, mutated into a twisted battle with no love lost between the parties: Utopia Tableware Ltd and BBP Marketing Ltd.

It all started simply enough with an application for interim injunctive relief just before Christmas 2012. Included in the initial claim was also an allegation of passing-off based upon three

purportedly unsolicited emails from customers of Utopia who claimed to have been deceived by BBP's polycarbonate product called the Aspire. The problem was that BBP's product had not yet been released by the date of those emails. The Christmas spirit of goodwill evaporated along with the claim to passing-off.

BBP alleged that the emails were in fact solicited, and that the customers had not been (and could not have been)



deceived as its product had not been released. Utopia back-tracked and withdrew its reliance upon the emails and the claim to passing-off. A holding interim injunction over the Christmas break was continued to trial, but without reliance upon the disputed emails.

BBP was not content, though, to let things lie there. So it made an application for the court to request that the Attorney-General bring contempt proceedings. The difficulty here was that the original proceedings were in the Patents County Court, and it was not clear that a judge of that court could make such a reference. In fact, when asked, the Attorney-General's Office thought that a county court judge did not have any such jurisdiction. The point was taken by Utopia, but lost; the judge made the request [2013] FSR 43.

Submissions were made to the Attorney-General that it would be disproportionate to bring contempt proceedings, in essence because BBP was using this as a tactic to distract Utopia from the infringement case. However, the Attorney-General decided to commence proceedings: the contempts comprised signing a number of false Statements of Truth on various witnesses statements and the original Particulars of Claim in relation to the purported unsolicited nature

of the emails and the altering of dates of those emails such that they now fell (unknown to Utopia) before the date of release of BBP's product. (The emails were in fact solicited after the release of BBP's product, and so there was no need to backdate them.) Those contempts have now been admitted and the sentencing hearing is scheduled for around the time of publication of this article. Few contempt hearings reach this stage, and so the result will be of interest, in particular as contempt arising from the signature of a false Statement of Truth is a scenario of potentially wide occurrence.

In the meantime, the trial on liability for the original allegations of registered design and unregistered design right infringement took place in September 2013. Unsurprisingly, the trial was a prickly affair, with allegations that Utopia's evidence from witnesses other than those involved in the contempt was tainted by the previous untruths, and so it all ought to be disbelieved. This guilt-by-association argument failed. In addition, there was an application by BBP to rely upon some prior art that had not been pleaded, but which had been referred to in a witness' statement and a letter that was sent shortly before trial. Rather oddly, some of the latter art was not even prior art and its potential relevance was never satisfactorily

explained. None of this prior art was allowed in, much to the chagrin of BBP.

The judgment was handed down after the PCC had ceased to exist, and from its ashes the Intellectual Property Enterprise Court had risen like a starship phoenix. BBP was found to have infringed both rights, and the registered design was held to have been validly registered ([2013] EWHC 3483 (IPEC)). (In passing, in order for the trial judge to sit at the relief hearing, it was necessary for the Lord Chief Justice to exercise his powers to make a temporary emergency appointment of the recorder concerned so that he could sit in the High Court under the provisions of section 9 of the Senior Courts Act 1981.) Despite having pleaded extensively in its Defence and Counterclaim that Utopia had such unclean hands that it ought not to be entitled to any equitable relief if it proved ultimately victorious, this argument was not advanced at the relief hearing, and a final permanent injunction was duly granted.

That, however, is not the end to the story. After trial, BBP indicated that it intended to sue Utopia, the contemnors personally and those customers who were involved in the sending of the disputed emails. The details of these new proceedings are awaited. This new action could yet provide a final twist to the tale.

What are the lessons to be learnt?

First, the consequences of deliberate falsehood are obviously deleterious. Even though the hearing to determine the punishment for contempt has yet to be heard, Utopia and the contemnors have suffered greatly both financially and emotionally in dealing with the allegations. It significantly soured the correspondence and ruined any chance of the litigation proceeding smoothly and cost-effectively. At every stage Utopia was on the back foot, even though in the end, it prevailed.

Secondly, even when faced with such unsettling circumstances, it is still possible to win on the merits of the original claim. However, it is necessary to be very clear about one's objectives and to avoid taking poor points.

Thirdly, the threat of contempt proceedings does not always have the desired result as it can entrench positions and so reduce the chance of reaching a sensible settlement

Fourthly, by concentrating on the contempt issues, it puts at risk spending the appropriate time and effort on the substantive matters, especially when resources are limited.

⊕ MICHAEL EDENBOROUGH QC acted for Utopia. His practice covers all aspects of IP law and procedure.



⚡ The threat of contempt proceedings does not always have the desired result ⚡

## The case of the neutral prosecution

THE DECISION OF THE FIA'S INTERNATIONAL TRIBUNAL IN JUNE 2013 IS A GOOD ILLUSTRATION AND REMINDER OF THE DIFFICULT BALANCING ACT A GOVERNING BODY WILL OFTEN FACE BETWEEN PROSECUTING DISCIPLINARY MATTERS AND NOT OFFENDING ANY OF THE PARTICIPANTS OR STAKEHOLDERS IN THE SPORT IT CONTROLS.

The matter before the tribunal related to a secret or private (depending on your point of view) test of Pirelli tyres using contemporary Mercedes F1 machinery, the test being undertaken by Mercedes championship drivers Lewis Hamilton and Nico Rosberg. The context included significant tyre issues in F1 races at that time allied to the fact in season testing was, save in strictly controlled circumstances, prohibited. The test was found to be in breach of the rules.

The FIA established the International Tribunal in 2010 to determine certain disputes, thereby ensuring a degree of independence in decision making.

The FIA's Judicial and Disciplinary Rules also provided that the president of the FIA was to exercise the role of "prosecuting body" and that the International Tribunal would decide disputes "in accordance with adversarial principles" having invited the parties, defined to include "the prosecuting body", to set out their respective arguments.

This scenario is common in many sports: the governing body is forced into the role of prosecutor to ensure its regulations are upheld, albeit that the ultimate decision is to be taken (in accordance with well drafted regulations) by an independent tribunal, be that a panel or individual.

Given that the governing body is almost certainly entrusted by the sport, through its regulations, to make the decision as to whether there is a disciplinary case to answer, if it takes a decision to lay charges it ought to be expected that the governing body is also required to make out its case, not least from the perspective of the person(s) charged.

The issue of particular interest from the International Tribunal's judgment was the FIA's overt neutrality in its role as "prosecutor": the FIA's written summary referred to the fact that both Pirelli and Mercedes "may" have engaged in conduct prejudicial to the interests of the competition, there seemingly being no assertion on its part to support the charges that such conduct had

occurred. Further, on the question of sanction, the FIA expressed "no view" as to the appropriate penalty to be imposed in the event that breaches were established.

There can be little argument with the desirability of an independent tribunal deciding the outcome of disciplinary matters, so the governing body does not become the prosecutor, judge and jury.

However the prosecution role, though unpalatable and politically sensitive, remains a vital one both for good sporting governance and the maintenance of natural justice.

Whilst no particular difficulty appears to have arisen as a result of the FIA's overtly neutral "prosecution" the case raises the question whether neutrality by a governing body when prosecuting disciplinary matters is desirable. I would suggest not. It is difficult to see how neutrality can ever assist a rigorous and uniform approach, both to the application and interpretation of regulations and the imposition of sanctions in the event of breach.

⊕ CHRIS STONER QC specialises in all aspects of sports regulatory and disciplinary work.



## Know Your Consumer



To what extent do the qualities of the "average consumer" have to be established by evidence in trade mark infringement cases? Two recent decisions show that it is important to lay the evidential foundation to establish not only who the average consumer is, but also what he or she thinks.

Section 10(2)(b) of the Trade Marks Act 1994 provides that "a person infringes a registered trade mark if he uses in the course of trade a sign where because the sign is similar to the trade mark and is used in relation to goods or services identical with or similar to those for which the trade mark is registered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the trade mark". The "likelihood of confusion" is established by reference to the legal construct of the "average consumer" of the goods or services in question.

In *Jack Wills v House of Fraser (Stores)* [2014] EWHC 110 (Ch) the clothing brand Jack Wills claimed that House of Fraser's logo of a stylised pigeon in a top hat infringed Jack Wills' registered trade mark of a stylised pheasant in a top hat. The evidence went to the parties' branding, merchandise, marketing and promotional activities, giving a solid foundation for establishing who the average consumer was. Nevertheless there was no evidence of actual confusion. This did not prove fatal to the claimant's case on the facts. Arnold J concluded there was a likelihood of confusion after comparing the marks, the respective goods and the context of use.

The claimant in *NMSM Group v The Nightingale (UK)* (Unreported, IPEC, 6 February 2014) was not so lucky. The claimant alleged that the name of the defendant's gay bar, "Queer Street", infringed the claimant's registered trade mark for the word "queer" in relation to, inter alia, bars. The trial proceeded with no evidence (although the court had regard to the statements of case), as neither side had complied with the timetable. (An adjournment application was refused, showing that *Mitchell* is being followed as strictly in the IPEC as elsewhere). HHJ Hacon was prepared to take judicial notice of certain qualities of the average consumer, but not others (e.g. the defendants' contention that "Queer Street" was a slang expression for having fallen on hard times was rejected without evidence: a Chancery Judge may know this, it being derived from Carey Street, where the bankruptcy courts used to be, but not necessarily the average consumer). In the result it was held that there was a mere possibility of confusion, not a probability.

“The “likelihood of confusion” is established by reference to the legal construct of the “average consumer”...”

The lesson from this is that only in the most obvious cases should it be assumed that section 10(2)(b) cases can be determined by mere comparison of the marks. The evidence should at least establish who the average customer is, by reference to the goods' target markets and so on, and ideally should go further to establish actual confusion.

⊕ GARETH TILLEY'S IP practice includes copyright, trademark, design and passing off claims.

# Chambers news

## People

We are delighted to welcome Suzanne Rab to Serle Court. Suzanne was a solicitor-advocate whose practice covers EU, competition law and sector regulation. She qualified as a solicitor in 1999 and has held competition law positions in Magic Circle competition practices for the last 15 years, most recently as a partner at a leading international firm where she led the EU competition practice. Suzanne's transfer to the Bar as a senior practitioner is unusual but reflects the growing importance of specialist advisory and advocacy expertise in EU and competition matters. She has worked on some of the most high-profile antitrust matters of the last decade and she has wide experience of UK and EU market investigations, with a particular expertise advising at the intersection between competition law and sector regulation spanning the communications, energy, financial services, media, transportation and water industries.

## Directories

We had an excellent set of results in the latest Legal 500 directory. Individually we now have 122 recommendations. Lance Ashworth QC, Jonathan Fowles and James Mather are all newly recommended and Conor Quigley QC, John Machell QC, Hugh Norbury QC, Jonathan Adkin QC, David Drake, Thomas Braithwaite, Ruth den Besten and Dakis Hagen all gained new recommendations this year and as a set we continue to be recommended in 10 practice areas.

We were similarly highly recommended in the 2014 Chambers & Partners directory. We have 102 individual recommendations placing us an impressive 6th in the "recommendations per member" table and as a set we are recommended in 11 practice areas. Chambers & Partners stated: "Serle Court provides top-level expertise across the full range of

business law, and its 53 members possess the requisite expertise to handle any business dispute that may arise." Highlights this year include: top ranking as a set in 4 practice areas: Chancery: Commercial, Fraud; Civil, Offshore, Partnership; Alan Boyle QC, Philip Jones QC and Philip Marshall QC all ranked as "stars at the bar"; and new recommendations for Dakis Hagen in Chancery: Traditional and Hugh Norbury QC in Commercial Dispute Resolution.

Thank you to all our clients for recommending us so highly.

## Awards

We have been short-listed for and received a number of awards:

- 4 members of chambers were included in the inaugural Chambers 100 UK Bar: Alan Boyle QC, Paul Chaisty QC, William Henderson and Dakis Hagen;
- The Legal 500 UK Awards were launched this year and Alan Boyle QC won the Chancery (traditional) silk award whilst Elizabeth Jones QC was highly commended in IP, IT and media. In addition we were highly commended as a set in Chancery (traditional) and in Commercial Litigation;
- We were named as finalists in the Chambers of the Year category at this year's British Legal Awards; and
- Nicholas Asprey was nominated for this year's Bar Pro Bono Awards.

## LinkedIn

We have set up 3 discussion groups on LinkedIn to enable Serle Court members and clients to discuss topical issues in Partnership and LLP Law, Fraud and Asset Tracing, and Contentious Trusts and Probate; please join us.

✚ Edited by JONATHAN FOWLES

## Surviving Insolvency

WHEN A HEAD-LICENCE PERMITTING USE OF COPYRIGHT (OR OTHER IP RIGHTS) IS TERMINATED DUE TO INSOLVENCY, CAN AN EARLIER GRANTED SUB-LICENCE SURVIVE, OR DOES IT AUTOMATICALLY FALL WITH THE HEAD-LICENCE?



the sub-licence. The head-licensor was therefore bound by the terms of the sub-licence, irrespective of the termination of the head-licence.

The decision leaves little doubt that the survival of a sub-licence turns on the facts of each individual case, but it will be interesting to see whether Mann J's reasoning is extended to circumstances in which there is no close connection between the parties and if so how far the courts will go to find implied permission in order to save a sub-licence.

“the insolvency of one licensor can have serious knock-on effects...”

The question was recently considered by Mann J in *VLM Holdings Ltd v Ravensworth Digital Services Ltd* [2013] EWHC 228 (Ch). The facts are as follows: the head-licence had been expressly terminated and the licensee (sub-licensor) had been wound up. The head-licensor (the claimant) then granted an exclusive licence to the defendant. The defendant ceased paying royalties under that exclusive licence, alleging that the continued use of copyright under a sub-licence granted prior to the termination of the head-licence was a breach of the exclusive licence. The question was whether the termination of a head-licence brought about by insolvency automatically leads to the termination of the relevant sub-licence.

Mann J held that the question was one of authority. The head-licensor, as an undisclosed principal, had authorised the grant of the sub-licence and therefore given permission for the sub-licensor to use the copyright in question. Termination of the head-licence did not bring to an end the permission given to the sub-licensor to use the copyright in question. This finding was based on the circumstances in which the sub-licence was granted and the terms of the sub-licence. Relevant factors included: the common directorship shared by the head and sub-licensors, the head-licensor's knowledge and endorsement of the sub-licence, and the restricted circumstances in which the licensor could terminate

Following the guidance in *VLM v Ravensworth*, right holders would be well advised to ensure that the terms of a head licence expressly envisage termination of any sub-licences upon termination of the head-licence to avoid any argument about implied permission later down the line. This is particularly desirable in the context of intra-group licences. For licensees, there are contractual mechanisms such as step-in rights that can be included in a sub-licence to guard against the consequences of insolvency of a sub-licensor, albeit the effectiveness of such mechanisms is far from guaranteed. It may also be possible to register or take security over the licence. These are important considerations, particularly for industries where it is common for chains of licences to exist, since the insolvency of one licensor can have serious knock-on effects for the remaining licensees.

✚ SOPHIE HOLCOMBE advises on a broad range of commercial disputes, including copyright, designs and confidential information matters.



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