

ISSUE 24

serlespeak

RAISING THE BAR IN CHANCERY AND COMMERCIAL

*Intellectual Property and
Information Technology law*





“Serle Court’s members offer genuine expertise across a broad range of chancery and commercial disciplines”

Chambers UK

I am very pleased to introduce this new edition of Serlespeak, on topics in Intellectual Property and Information Technology. I start the edition by highlighting the importance of the recent decision in *Lifestyle Equities v Royal County of Berkshire Polo Club* for multi-jurisdictional trade mark litigation. Zoe O’Sullivan QC then examines the principles applicable to the recovery of damages for wasted expenditure in IT cases. Thomas Elias focusses on developments in passing off claims in respect of look-a-like packaging. Later in the edition, Professor Suzanne Rab considers the context and implications of the European Commission’s decision to fine Google for abuse of its dominant position in online search intermediation. Finally, Stephanie Wickenden discusses the case of *Pathway v easyGroup* and its consequences for the interpretation of trade mark specifications.

Michael Edenborough QC

Chambers News & Events

People

Serle Court welcomed Sean-Anna Thompson from Conyers in May as part of a three-month trainee placement from Cayman and, in June, Richard Cao Chunwu started his placement in chambers from Jiangsu Yongheng Partners as part of the Bar Council's China Training Scheme. Richard sat with ten members of chambers and attended court on various hearings during his placement.

On 17 June, a team from Serle Court (dogs included) successfully completed the London Legal Walk. We would like to thank everyone that participated and contributed to such a worthy cause raising £5,512, leading chambers to one of the Bar top spots on the fundraising ranking.

Conferences and seminars

On Monday 11 November Serle Court will be hosting its Fourth International Trusts and Commercial Litigation Conference in New York. The conference will take place at the Rainbow Room in one of New York's most iconic landmarks, the Rockefeller Center, in celebration of the 20th Anniversary of the merger that created Serle Court in 2000. We will be welcoming clients from across the globe, with our barristers and guest speakers discussing the litigation landscape and where they think we'll be in 20 years' time.

We sponsored and attended the KNect 365 Transcontinental Trusts: International Forum in Bermuda, with Richard Wilson QC participating as an advocate for the Mock Application of the Transcontinental Trust Supreme Court & Judgment and Professor Suzanne Rab speaking on 'What does GDPR mean for International Trust Companies, and how they store their client Data?'

We conducted a substantial business development programme in Hong Kong in June. On 10 June, Andrew Moran QC and Dakis Hagen QC both

spoke at the Fifth C5 Fraud, Asset Tracing & Recovery Asia Conference, on Off-Shore Fiduciary Liability. Richard Wilson QC sat on the advisory board for the conference. Zoe O'Sullivan QC and John Petrie MBE also attended the conference and welcomed our clients to a networking lunch sponsored by Serle Court.

The second in a series of commercial seminars, *Fiduciary Duties in Commercial Contexts*, took place in chambers with Elizabeth Jones QC as chair, and Zoe O'Sullivan QC, Gareth Tilley and Zahler Bryan speaking about Braganza discretions in the commercial context, the relationship between fiduciary duties and duties of good faith post-Braganza and the recent Court of Appeal decision in *Medsted* and secret commissions and the limits to the scope of an agent's fiduciary duty. The third in the series of seminars, *Fraud and Arbitration*, will take place later this year at Serle Court.

Awards and directories

We are delighted to have been shortlisted for 'Chambers of the Year' at The Lawyer Awards 2019. The awards ceremony took place on Tuesday 25 June at the Grosvenor House Hotel. Members of Chambers, the Chief Executive and clerks attended the event.

We would like to congratulate Richard Wilson QC who has been shortlisted for 'Advocate of the Year' at the STEP Private Client Awards 2019/20. The winners will be announced at an awards ceremony on 25 September at the Park Plaza Westminster Bridge Hotel. To be a finalist is a wonderful achievement as this year saw a very high number of entries.

Serle Court has been ranked in the Legal 500's EMEA directory for its work in the Middle East. The directory ranks English Barristers who have leading expertise in the Middle Eastern jurisdictions. This reflects Serle Court's substantial UAE practice which focuses on DIFC Court work and commercial



arbitration. Members regularly act in leading commercial, banking and property disputes in the DIFC Courts, as well as on related freezing injunction and anti-suit injunction applications.

LinkedIn

We have five discussion groups on LinkedIn to enable Serle Court members and clients to discuss topical issues in Partnership and LLP Law, Fraud and Asset Tracing, Contentious Trusts and Probate, Competition Law and Intellectual Property; please join us. Please also follow us on Twitter @Serle_Court.

Upcoming chambers events

Save the date:
Thursday, 12 September
Serle Court Cross-Border Litigation Conference in Cyprus
Crowne Plaza Hotel, Limassol

Thursday, 26 September
Commercial Series III:
Fraud and Arbitration
Serle Court, 6 New Square,
Lincoln's Inn, London WC2A 3QS

Monday, 11 November
Serle Court International Trusts & Commercial Litigation Conference
Rainbow Room, 30 Rockefeller Plaza,
New York, NY 10112

November – date to follow
Intellectual Property Seminar

New date to follow
Serle Court Company Conference
2019: Company Law in the Real World

All of the above events are supported by our Marketing and Business Development team and Clerks who organise and attend the events in London and globally. If you would like to attend any of the above events or would like some further information, please visit our website or contact us at RSVP@serlecourt.co.uk.

Serlespeak is edited by
Jonathan Fowles

Overcoming Difficulties on Jurisdiction in Trade Mark Infringement Actions

In the case of *Lifestyle Equities v Royal County of Berkshire Polo Club*, [2018] EWHC 3552 (Ch) [2019] FSR 14, Mr Justice Morgan decided four important points about multi-jurisdictional trade mark litigation. The case will have far reaching consequences when claimants are contemplating suing in the UK, defendants who are domiciled outside the UK or the EU for alleged infringements of non-UK or non-EU trade marks concerning acts committed in territories outside the UK or the EU.



Lifestyle Equities sued 11 defendants. The First to Fifth Defendants were based in the UK. The Sixth to Eleventh Defendants were based in various countries, mainly in Central and South America. One set of allegations against the first group of Defendants concerned alleged trade mark infringement of certain UK and EU trade marks by acts of those Defendants within the UK and EU. That was entirely conventional.

The remaining allegations were not so conventional.

First, it was alleged that the Sixth to Eleventh Defendants infringed the trade marks of the Claimant that were registered in each of the relevant territories where the second group of Defendants were each respectively domiciled, *i.e.* the Chilean Defendant infringed the Claimant's Chilean trade marks for acts committed in Chile and so on. The First to Third Defendants submitted that this was the first time anyone had attempted to sue in the UK for such non-EU trade mark allegations, and that therefore it was somehow an abuse of the due process of the court and so should be struck-out. The Claimant argued that as a matter of law, it was acceptable in principle to sue a non-EU defendant for the alleged infringement of a non-EU intellectual property right by acts committed outside the EU. Morgan J held that there was nothing fundamentally wrong with suing in

the UK the non-EU Defendants for such non-EU acts. The allegations of infringement of those non-EU trade marks were in principle judiciable in the UK and not a *prima facie* abuse such that the allegations could be struck out.

Secondly, it was alleged that all the Defendants had conspired together to injure the Claimant by unlawful means, namely by committing acts of trade mark infringement. It was alleged that the conspiracy had been hatched in the UK, and therefore the UK courts has jurisdiction over all the Defendants with respect to the alleged conspiracy, which included those alleged acts of infringement committed by the non-EU Defendants outside of the EU. The First to Third Defendants submitted that nobody had ever made such an allegation before, and so therefore it should be viewed with deep scepticism. Morgan J agreed with the Claimant that there was nothing inherently objectionable about this claim. Therefore, this provided one way for the UK courts to secure jurisdiction over the non-EU Defendants.

Thirdly, the First to Third Defendants applied to strike out all the claims against the Sixth to Eleventh Defendants, in essence on *forum non conveniens* grounds. The First to Third Defendants were independent of the Sixth to Eleventh Defendants, and did not have any instructions from those Defendants. Morgan J held that the First to Third Defendants had no *locus*

standi to bring such an application on behalf of the Sixth to Eleventh Defendants. Rather, it was for those non-EU Defendants themselves to challenge the jurisdiction in the normal way, and not for other defendants to circumvent the normal procedure.

Fourthly, the First to Third Defendants applied to strike out the allegations that they were jointly liable with the Sixth to Eleventh Defendants for the acts of those non-EU Defendants in the non-EU territories. This application was based upon the contention that the English court had no jurisdiction to hear the matter, however, that submission was fundamentally misconceived, because it is settled law that an EU domiciled defendant may be sued in the EU for non-EU acts.

The result was a complete victory for the Claimant. In summary: the action against the UK Defendants with respect to the alleged infringements of the UK and EU trade marks within the UK and EU was maintained. Further, the allegation against the UK Defendants that they were jointly liable for the alleged acts of infringement by the non-EU Defendants of the Claimant's non-EU trade marks in the non-EU territories was held to be justiciable in the UK. Furthermore, the allegation against the non-EU Defendants that

they were liable for the alleged acts of infringement by those non-EU Defendants of the Claimant's non-EU trade marks in the non-EU territories was also held to be justiciable in the UK, regardless of the fact that this was the first time that such an allegation had been made. The conspiracy to injure by unlawful means was held to be in principle a proper mechanism to secure jurisdiction over the non-EU Defendants. Finally, jurisdictional challenges on the basis of *forum non conveniens* ought to be brought by the particular defendants who was affected by the claim to jurisdiction and not by some other defendant to the action.

As such, this case provides strong support for suing non-EU defendants in the UK for wrongs committed in non-EU territories. That will enhance the global reach of the UK courts.

Michael Edenborough QC

appeared for the successful Claimant in Lifestyle Equities v Royal County of Berkshire Polo Club. His practice focuses on trade marks and passing-off, copyright and designs, and patent matters. He also deals with other IP rights (or related rights) such as geographical indications, moral rights, database rights, plant varieties and confidential information cases.

A trade mark dispute being conducted by Michael Edenborough QC that concerns the shape of bottles in the form of human skulls.





Recovery of wasted expenditure in IT cases



A claim to recover wasted expenditure on the reliance basis can be a powerful weapon for a claimant in an IT case. The judgment of O'Farrell J in *Royal Devon and Exeter NHS Foundation Trust v Atos* [2017] EWHC 2197 (TCC) (reversed by the Court of Appeal on a different point) sets out a useful overview of the basis of such claims in an IT context.

A customer seeking damages for the breach of a contract to supply software and associated IT services will often claim the cost of a replacement system plus damages for the delay in delivery

of the benefits which the system was expected to generate. In such a case, the burden falls on the claimant to prove the fact and amount of the lost benefits. However, this can be a difficult and expensive exercise in the IT context. It may well be more attractive instead to claim damages equivalent to the wasted expenditure which it incurred in reliance on the contract (sometimes called "reliance loss").

A claim for recovery of wasted expenditure resembles a claim for tort damages, but it is different. A claimant is not entitled to be put back in the

position it would have been in if the contract had never been made and the expenditure had not been incurred. The reason why the claimant is held to be entitled to recover its wasted expenditure is that the court rebuttably presumes that the claimant would have recouped that expenditure if the contract had been fully performed. See Hutchison J in *CCC Films Ltd v Impact Quadrant Films Ltd* [1985] 1 QB 16 at 35G:

"The claim based on expenditure will only succeed to the extent that on exploitation the expenditure would have been recouped."

This is true even where the claimant does not expect to make a profit from the contract. In fact, in such a case it will be even more difficult for the defendant to show that the expenses exceeded the benefit expected to be obtained from the contract. See *The Mamola Challenger* [2010] EWHC 2026 (Comm) at [56].

Where it is difficult for a claimant to prove a loss of benefit, a claim for reliance loss is attractive, as it places an evidential burden on the defendant to plead and prove that

the claimant would not have recouped its expenditure if the contract had been performed. The reason why the burden falls on the defendant is that it is the defendant's breach which makes it difficult for the claimant to prove its loss of profit or other benefit: see *Yam Seng Pte Ltd v International Trade Corp Limited* [2013] EWHC 111 (QB); [2013] 1 CLC 662 at [186] to [190].

Wasted staff costs often form a large part of the damages in an IT case. These are recoverable as reliance loss. The claim is not for the recovery of the costs themselves, because the employer would have incurred the costs even if the contract had been performed. The court presumes in the claimant's favour that it has lost the revenue which the staff would have generated if they had not been diverted from their normal duties by the defendant's breach and that the lost revenue is not less than the cost of employing the staff. It is open to the defendant to rebut the presumption, although that can be formidably difficult in practice. (See *Aerospace Publishing Ltd v Thames Water Utilities Ltd* [2007] EWCA Civ 3, [2007] Bus LR 726 at [86]; *Azzurri Communications Ltd v International Telecommunications Ltd* [2013] EWPC 17; *Admiral Management Services v Para-Protect Europe Ltd* [2002] 1 WLR 2722 at [87]).

In *Royal Devon v Atos*, above, the court held that recovery of staff costs and other reliance expenditure was not excluded by a contract term excluding liability for loss of profit or lost revenues. Since (as the above cases show) such claims can be categorised as lost revenue, the decision is arguably wrong, but it was not appealed.

Zoe O'Sullivan QC specialises in commercial litigation and arbitration across a number of practice areas, including banking and finance, shareholder disputes and commodities. She has a particular interest in IT and outsourcing disputes and is recommended in *Chambers and Partners* in this area. She appeared for *Atos* in the *Royal Devon* case, above.

Passing off and “get-up”

Market-leading brand owners frequently object to competitors selling products in look-a-like packaging.



The classic passing off case is *Reckitt & Colman Products Ltd v Borden Inc* [1990] 1 W.L.R. 491 (“Jif Lemon”), in which the plaintiffs sold “Jif” lemon juice in plastic containers in the shape, colour and size of real lemons; the defendant wished to do likewise. The Judge at first instance found that the public would be deceived by the defendant’s plastic lemons, notwithstanding that the defendant’s product bore a neck label prominently displaying the defendant’s own brand, “RealLemon”. The defendant appealed all the way to the House of Lords where the appeal was dismissed.

In *MoroccanOil Israel Ltd v Aldi Stores Ltd* [2014] EWHC 1686 (IPEC), MoroccanOil brought passing off proceedings in relation to the get-up of Aldi’s hair care “Miracle Oil”. HHJ Hacon held that MoroccanOil’s goodwill attached primarily to its name, and that its get-up was of secondary importance. Even though the Judge held that the get-up of Aldi’s packaging made the public think of MoroccanOil, the fact that Aldi’s own brand name, “Carino”, was displayed on the packaging of its product, and the circumstances of sale, meant that it was unlikely that a significant part of

the public would be deceived. The claim failed.

The claimant had even greater difficulties in establishing goodwill in relation to its get-up in *Gama Healthcare Ltd v Pal International Ltd* [2016] EWHC 75 (IPEC). The claimant sold wet wipes for the healthcare industry under the name “Clinell” in what it claimed was distinctive packaging; the defendant sold wet wipes under the name “Medipal”. Amanda Michaels, sitting as a Deputy Enterprise Judge, held that the colours alleged to be distinctive of the claimant were established in the industry as denoting the type of wet wipe – green for disinfectant, yellow for detergent. The claimant had goodwill in relation to the name “Clinell”, but had failed to establish goodwill in relation to its get-up. Again, the claim failed.

Although Jif Lemon is the leading case on the law, the facts were highly unusual. Both Lord Bridge and Lord Oliver commented on the surprising

finding by the Judge at first instance that the public would ignore the labels on the defendant’s packaging, but that finding was not subject to appeal.

In more normal cases, establishing passing off in relation to get-up is still difficult. Brand owners are therefore increasingly relying on other rights. Such claims have their own difficulties, not least the perennial difficulty of establishing title to copyright or design right where works were created, perhaps many years ago, in conjunction with third party designers and manufacturers. Look-a-like packaging is unlikely to disappear any time soon.

Thomas Elias acted (with Michael Edenborough QC) for Aldi in the MoroccanOil case and for Pal International in *Gama v Pal*. They are both frequently instructed in cases relating to get-up and the packaging of goods.

European Commission fines Google again for abuse of dominance

The European Commission ("Commission") has hit Google with a third fine for abuse of dominance in two years. Imposing a penalty of EUR 1.49 billion, the Commission found that Google abused its dominant position in online search advertising intermediation through restrictive contractual terms with websites which prevented its rivals from placing their search advertisements on those sites (Commission press release IP/19/1770, 20 March 2019).



browsers they want on their Android phone, it will face the challenge of potential consumer inertia which may default to Android.

There is a strong impetus in the EU and globally for more regulatory intervention in online markets and platforms. This is not limited to antitrust concerns, but corporate social responsibility, data privacy and protection also feature strongly. We are likely to see more activism by the antitrust regulators in this sector in the coming years, as well as continuing calls for tougher regulation.

that are IP intensive and subject to sector-specific regulation. Suzanne has advised on a considerable range of competition law and regulatory issues in the converging communications and media sector including in matters relating to telecoms, online distribution, pay TV, newspapers, sports rights and licensing of copyright. She is author of several textbooks on competition law and regulation including on international media ownership and control and copyright.

Suzanne Rab specialises in EU and competition law. Suzanne advises in relation to a wide range of industry sectors, with a focus on industries

Abuse of dominance had been in the backwater of competition law enforcement for some time but this case and the two before it show that the Commission remains focused on addressing single firm conduct in digital markets that might otherwise be viewed as 'born competitive'.

The Commission found that Google was dominant in the online search intermediation market in the EEA since at least 2006 when Google imposed an exclusivity obligation banning publishers from placing search adverts from competitors on their results pages. From March 2009, the practices were replaced with 'relaxed exclusivity' where Google aimed to secure for itself the most valuable positions.

Google stopped the offending practices in July 2016 when the Commission issued its statement of objections. The Commission has nevertheless required Google to cease the practices and to refrain from any measure that has the same or equivalent object or effect.

Set against the EUR 2.42 billion fine in 2017 in the Google comparison shopping case and the record fine of EUR 4.34 billion in 2018 in the Google Android operating system case, this is a third significant fine for Google. Commissioner Vestager noted that the misconduct lasted over 10 years

and denied other companies the possibility to compete on the merits and to innovate, and consumers the benefits of competition.

The Commission's 2017 decision in the shopping case created an analytical framework for the Commission to look at similar practices in other vertical services, such as jobs and local searches.

There are some similarities with the shopping case with the element of self-preferencing but this theory of harm is not settled in the case law. The Commission's findings on exclusivity, also echoed in the Android case, are more reconcilable within more orthodox EU antitrust theories.

The Commissioner has also given an update on other Google antitrust cases. There are some developments that appear to be in a positive direction. Of significance for the shopping case, June 2018 data showed that about 6% of clicks on results went to competitors but it now appears that has increased to around 40%.

Google has announced that it intends to provide a choice screen for Android users in Europe. A choice screen remedy was used in the commitments offered by Microsoft which brought to an end the Commission's browser investigation in 2009. While the aim is to allow consumers to choose what



Trade Mark disputes are not always “easy”

“Unless familiar with the law of registered trade marks, you might think that it is relatively straightforward. Regrettably, you would be wrong.”
So starts the judgment of Carr J in *Pathway v easyGroup* [2018] EWHC 3608.



Carr J’s comments will come as no surprise to seasoned trade mark litigators who, as Carr J states, are dealing with legal issues of ever-increasing “Byzantine complexity”. Following in the wake of *IP Translator*, *Pathway v easyGroup* provides welcome guidance on the interpretation of trade mark specifications.

This appeal was originally brought in 2011, but was stayed pending the determination of *IP Translator* and left to lie dormant until 2018. Whilst *IP Translator* dealt with the requirement of clarity and precision of specifications and the relevance of class headings, it did not provide direct authority on the relevance of class numbers which was the key issue in *Pathway v easyGroup*.

In order to avoid revocation of their trade marks for “easyoffice”, *Pathway* had to prove that they had made genuine use of the marks in respect of the specific services registered. *Pathway* argued that the hearing officer at first instance had interpreted the meanings of “rental of office equipment” and “provision of office facilities” too narrowly as a result of construing them by reference to the Nice Classification lists in Class 35 (the class in which the trade marks were registered). Therefore is applicable in the context of infringement actions and revocation claims. *easyGroup* argued that, without interpreting the designated services with reference to the Nice classification guide, the designated services were insufficiently clear and precise and in such circumstances the Nice classification should be used to provide clarity and precision.

Ultimately Carr J found that the designated services were sufficiently

clear and precise on their face, but indicated his view that it is appropriate to use class numbers as an aid to interpretation where the words used in the specification lack clarity and precision. Further, this approach should apply to granted registrations as well as to applications, and therefore applies in the context of infringement actions and revocation claims.

This is particularly key as, prior to this judgment, the only authority on using these classifications to aid interpretation was at prosecution stage (*Altecnic* [2001] EWCA Civ 1928). Depending on the resolution to the CJEU’s ruling in *Sky v Skykick* expected later this year, this judgment could provide a lifeline for rights holders. If the CJEU rules in favour of *Skykick*’s proposition that a mark can be wholly or partially invalid if some or all of its specification is lacking in sufficient clarity or precision, then no doubt the words of Carr J will be relied upon by rights holders seeking to interpret specifications favourably with reference to class headings.

It is also worth noting that Carr J refused to admit the prosecution file as evidence. Acknowledging the recent Supreme Court ruling in *Actavis v Eli Lilly* [2017] UKSC 48 which appears to relax the restriction on adducing prosecution history, Carr J emphasised that allowing such evidence should be the exception not the rule, and that this principle applies to an even greater extent in trade marks cases than in patent cases.

Stephanie Wickenden acted for the successful respondent in *Pathway v easyGroup*. She has a busy practice across all fields of IP, regularly appearing in the *IPEC*, *High Court* and *Court of Appeal*.

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