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P a n n o n e L a w G r o u p

PLG



# Intellectual Property and e-commerce Bulletin

## Email privacy - a recent Canadian case



Do the standard policies and practices in the ISP (Internet Service Provider) industry violate the privacy of holders of e-mail accounts? Those policies and practices, normally agreed to by the customer, include the ISP's right to suspend e-mail services, including storage and withholding of e-mails, without returning e-mails to senders with notification of non-delivery, pending the full payment by the customer.

Nancy Carter, a Toronto-based freelance TV producer has been battling with her ISP, the US-based Inter.net Group for the past 20 months for having violated the *Canadian Personal Information Protection and Electronic Documents Act*. The matter is based on a billing dispute and she alleges that the ISP has

denied her access to her email account whilst continuing to collect, and therefore withhold her e-mails. One of the e-mails was a job offer from a producer at the Discovery Channel and she is now seeking \$110,000 in damages for the loss of a lucrative job opportunity.

Enacted in 2000, the Canadian *Personal Information Protection and Electronic Documents Act (PIPEDA)*, prohibits anyone from collecting personal information, without consent, and putting it to commercial use.

Nancy Carter argued that her former ISP, Inter.net, violated the law by collecting e-mail messages addressed to her and using the files as a weapon to force her to pay a disputed bill.

In this case, the Federal Privacy Commissioner recently found that the ISPs' policy of withholding email for suspended accounts was not clear enough to obtain informed consent of use of personal information (a requirement of the PIPEDA) and therefore found that the ISP had violated the PIPEDA. It recommended that *the ISP immediately cease collecting, storing and denying access to e-mails addressed to holders of accounts under suspension and adopt instead the practice of deflecting such e-mails back to the senders with notification that the messages could not be delivered.*

Presently, the case is before the Federal Court (Trial Division) for violation of the PIPEDA and for compensatory and punitive damages against the ISP. Following the Privacy Commissioner's decision, many ISPs have changed their policies and practices in order to conform to the law and to avoid legal disputes and bankruptcies which have occurred in the case of several US ISPs including Excite Home and Northpoint Communications following consumer protection actions.

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## Protection of software in Italy

The current situation relating to the safeguarding of software in Italy is perfectly illustrated by the words of G. De Santis who stated that:

*"jurisprudence is oriented towards decisions whereby the judge behaves as if he/she were Pontius Pilot and enforces decisions on the basis of the report made by the Technical Consultant on duty who is in fact replacing the judging body."*

This situation arises from various conditions:

1. lack of technical knowledge, by the Italian magistrates, of the so-called electronic commerce tools.
2. The unresolved doctrinal debate, concerns two opposing views: One which would guarantee patent protection in pursuance of the law on copyright (No. 633/41). The other which would rather guarantee the full application of law Decree 518/92 (a law decree that has adopted the EC Directive 91/250) which safeguards the contents rather than the mere form of intellectual property (precisely the software at issue).

As a consequence, in March 2002, the Italian government proposed a Legislative Decree which would adopt the indications contained in Directive 2001/29/EC (the so-called European Union Copyright Directive, EUCD).

The most important aspect of protection established by this Directive (in common with what has been set out by the American Digital Millennium Copyright Act) deals with "effective technological measures". These protect hardware/software systems, governing access to and reproduction of intellectual property (including software) and ultimately limiting its use (by way of example "technological measures" that do not allow the printing of given documents or the selection of certain passages for the purpose of quoting them, as Adobe PDF format). Sanctions are imposed when such measures are breached. These sanctions are also imposed when no actual violations against copyright have taken place. Further all types of searching on cryptography and on data processing security of software (the so-called decompiling and reverse-engineering) is forbidden so that only the software house that developed a given format is legally entitled to create programs capable of running it.

Although the draft of the Italian legislative decree still considers unlawful "decompiling" and "reverse-engineering" it is somewhat more flexible in this sense and provides that only "deception" resulting in actual abuse of protected copyrights is unlawful. The possibility of creating so-called interoperating software remains at any rate forbidden. New programs shall impose on users the same limits and restrictions as the original applications. The obvious consequence shall be a sort of monopoly regime. In turn this shall prevent technological improvement as well as allowing the possibility of users to freely choose the programs which they would like to use to process their data. The only solution would be to only punish those who violate copyrights by avoiding "technological measures" without taking into account the simple eluding itself, for instance the mere "decompiling" and "reverse-engineering". This should guarantee the legitimacy of activities connected with the freedom of modifying certain software in the name of technological evolution. Further, the proposal of the decree contemplates punishment for all sorts of services rendered which enable avoiding "technological measures". The spreading of information aimed at assisting the avoidance of the above measures is also considered illegal. Hence if two individuals write each other emails where they highlight problems (the so-called "bug") given by, let's say, Microsoft Outlook, such exchange of information could be considered illegal. Therefore, according to the decree, all information potentially able to be used for unlawful purposes must be forbidden. The problem, however, is that any information may be used for unlawful purposes but it is not a good reason for prohibiting its dissemination. We would also stress the fact that the Italian draft is more limiting than EUCD since this latter contemplates some exceptions to prohibiting in full the exchange of information on "technological measures", for example where scientific research is concerned. Conversely, no exceptions have been contemplated by the draft of the Italian decree. In this case the wording of the rule should be modified in order to make clear the difference between intended violations against copyrights and attempts aimed at "scientific research".

On the subject of so-called "fair use", the proposed decree envisages an interesting difference as compared to the EC Directive. On the basis of the new protection of "technological measures", users should in a way be given the possibility of making reasonable use of digital work (we could consider, for instance, the recent CD anti-copy device which caused a number of problems) so as to balance the privilege enjoyed by the copyrights holders with the imposition of the "technological measures". While EUCD does not contemplate any indication as to the users' rights, the proposal Italian decree expressly provides that: "copyright holders are to remove technological measures ... upon request by the beneficiaries of exceptions". Such exceptions are absolutely provided for and include: reproductions that cannot be sold or spread to the public; reproductions made by schools and libraries, reproductions made in hospitals and jails. It is further required that technological measures should guarantee the possibility of making a spare reproduction of the programs legally obtained.

On first analysis the proposed Decree appears to provide protection for software manufacturers. Such protection, in my opinion, does not really balance the limitations caused to users; if the law necessarily provides for protection of copyrights on the one hand, it should also allow for improvements to intellectual work by its users. By way of an illustration, if the inventor of television had been protected to the same extent, we would still be watching black & white television.

Because of the reasons specified above, we believe that any Legislative Decree in Italy should provide less protection for software producers (and consequently for the inventors of software) and a better position for software users in order that we allow the course of progress to flow as it has done to this date.



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## A cautionary tale for website owners and online publishers

Most organisations have their own website, ranging from highly sophisticated sales and purchasing portals to simple informative sites. The proliferation of websites demonstrates that in order to function as a successful business, it is becoming increasingly necessary to have an internet presence.

The financial benefits of enticing prospective customers via this medium are clear. However in their haste to create an online presence, companies are neglecting to consider the implications of uploading material onto their website. Such failure to pause for thought may, on occasion, have far reaching consequences.

In a recent Australian case the need for website owners and online publishers to carefully consider the content of their websites was highlighted.

*Dow Jones & Company Incorporated v Gutnick (2002)* concerned a defamation action brought by Mr Gutnick, an Australian resident and businessman. It concerned an article published by Dow Jones on one of its websites. The article inferred that Mr Gutnick was in fact a money launderer and was also guilty of tax evasion.

Mr Gutnick subsequently sued Dow Jones for defamation in the Australian State of Victoria, claiming damages for the harm to his reputation caused by publication in that State.

Dow Jones responded by arguing that Australia was not the appropriate place to bring proceedings as it maintained that publication actually took place in the USA and more precisely, in New Jersey where the Dow Jones servers were located and therefore, that it should be granted a dismissal of the case or at the very least, a stay in proceedings.

Defamation law states that in order to bring an action the defamatory statement must be communicated to a third party, i.e. some person other than the claimant. An individual would be liable for any publication which he intends, which he can reasonably anticipate or indeed, where there is unintentional publication, which is



should ensure that the correct internal procedures are adopted, as well as including comprehensively worded notices of disclaimer and terms of website use in order to attempt to minimise their exposure to such defamation actions.

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## Online press offences and limitation period

The French statute governing press related matters, which makes provision for sanctions in the event of an offence of defamation committed through publication (newspapers, books, posters) came into force on July 29, 1881. The statutory press law deriving therefrom is still in force and has been extended to cover all audiovisual means of communication.

Applying this law to publication via the Internet raised many legal issues including the question of how to determine the time of limitation of actions for press offences.

One of the main features of French press law is its restrictive procedural process. Numerous rules exist relating to the right to sue for any offence thereunder. Such rules aim to guarantee the rights of the defendant as well as the freedom of the press through the insistence on completion of crushing formalities prior to bringing an action for defamation. The sanction in the event of non-compliance with such formalities is the automatic nullity of the action.

An exception to the general law laid down by this statute happens to be the cornerstone of this press protection system: press offences are time-barred within a period of three months. Thus, anyone considering bringing a claim for damages for defamation must file a claim within this period, which would start as from the first day of publication. In the usual case of printed media, books or traditional audiovisual means of communication, the day of limitation would start on the day upon which the defamatory statement was put at the public's disposal.

Press offences are therefore usually considered as instantaneous offences: they are deemed to have been committed on the first day of publication as it is beyond the control of the editor from this very first circulation. However the first press offences, committed via the internet, and referred to the *Tribunal de Grande Instance* and the Court of Appeal of Paris have been determined differently. The courts considered online publication to be specific since it was the result of the repeated will of the publisher to post a message on a website and to uphold or remove it. As a consequence the act of publication becomes continuous: publication is

published due to want of care on his part. Such publication must generally contain words which lower the claimant in the estimations of the public or expose him to hatred, contempt or ridicule or cause him to be shunned or avoided.

In this case, publishing material which inferred that Mr Gutnick was a money launderer and a tax evader on the internet satisfied this test.

In the circumstances, the High Court found in favour of Mr Gutnick and upheld the findings of the Lower Court by stating that publication had taken place not only in Australia, but also in all other jurisdictions where the article had been viewed on-line throughout the world. The Court held that a separate publication took place each time the article was accessed via the website.

They concluded therefore that as a cause of action arose in any jurisdiction where the article was accessed, Australia was an appropriate jurisdiction to hear the dispute and that Australian law would govern the action as this was where the damaging publication took place.

This case illustrates the need for diligence to be exercised by companies before publishing information on their website. Failure to do so may expose website owners to defamation actions, not only in the jurisdiction where the individual bringing the action resides, but also in other jurisdictions in which the website is accessed and therefore, the defamatory statement is published.

This case is of particular significance to English companies and website owners, although it is an Australian case, both the English and Australian laws of defamation are very similar and it is widely thought that if the case had been brought in England, the Courts would have reached the same decision.

Therefore, if an individual or company wishes to publish material on its website it should ensure that the contents of the text are true. If in doubt, obtain legal advice as to the implications of publishing such text online. The same caution should be exercised by website owners who operate a notice board facility or chatroom facility on their website. Additionally, they

not just presenting a message on a website, but also maintaining it there.

In this regard, the first decisions of the French Courts considered that the three month limitation period started to run only when the publisher definitively removed the message from the internet website.

However, the Court of Cessation did not accept this reasoning and refused to consider that the internet was a new mode of publication requiring an adaptation of the principles laid down in press law: several judgments given by the Supreme Court at the end of 2001 indicated that the time of limitation started from the day that "the message first became available to users of the network".

Notwithstanding its decision, the Court of Cessation has not put an end to all uncertainty on this matter, as it has not yet ruled on whether or not an alteration to the web page, which often occurs, or interruption to the broadcasting of the web page followed by resumption of broadcasting constitutes a new act of publication, (with the result that the three month time of limitation would recommence).

The position held by the Court of Cessation implies that in the case of press offences committed via the internet there exists a situation that does not arise for other means of circulation, namely how to accurately determine the first day of publication, i.e. the first day that the text at issue was posted online.

Unlike a periodical, which shows its date of issue, or a book, which in France shows a date of legal deposit, the date of text appearing on an internet site may be unknown to the internet user. Any action taken would be found inadmissible, on the grounds that the time of limitation had expired if the publisher could establish that the text had been on the website longer than three months.



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## E-commerce and trademark issues

The development of the internet as a commercial marketplace has generated new legal issues for business.

One such issue is linked to the infringement of trademarks due to the lack of proper trademark law protection. The basic assumptions upon which trademark law was built are insufficient to prevent a number of problems brought about by the technological revolution.

Before the advent of internet commerce, infringements of trademarks tended to be localized problems.

For example, if a clothes store in Lisbon used the trademark LEVIS without a trademark licence, that infringement would most likely not have any significant impact beyond the Lisbon area.

Should the same clothes store register the internet domain "www.levis.com", this would potentially have international consequences. Consumers all over the world would be able to visit the unauthorized store via the internet and the legitimate owner of the trademark would be unable to use www.levis.com as its domain name, losing a valuable source of revenue and an equally valuable marketing tool.

This issue is the result of a "cybersquatting" practice. This practice occurs when an individual with no rights to a well-known trademark registers the mark as a domain name, often with the aim of selling it to the trademark owner.

How can this problem be solved if the domain name can be registered for someone that is not the legitimate owner of the trademark?

The sanctions/remedies applicable to such infringement may be identified in each relevant jurisdiction and, in particular, in the specific rules concerning the national entity responsible for the management of the national domain names. In Portugal the relevant entity is the National Foundation for Scientific Computerisation.

In addition to sanctions/remedies provided for by internal legal systems, top-level domain names are protected by the Internet Corporation and Assigned Names and Numbers ("ICANN") rules.

ICANN is the entity which has worldwide responsibility for the shared registration system of top-level domain names such as: .aero; .biz; .com; .coop; .info; .museum; .name; .net and .org.

Specifically, ICANN coordinates the assignment of the following identifiers that must be globally unique for the Internet to function:

- Internet domain names
- IP address numbers
- protocol parameter and port numbers

As a non-profit, private-sector corporation, ICANN is dedicated to preserving the operational stability of the Internet; promoting competition; achieving broad representation of global internet communities and implementing policies through private-sector, bottom-up, consensus-based means.

Under Uniform Domain-Name Dispute-Resolution Policy (often referred to as the "UDRP"), most types of trademark-based domain-name disputes must be resolved by agreement, court action or arbitration before a registrar will cancel, suspend, or transfer a domain name. Disputes alleged to arise from abusive registrations of domain names (for example, cybersquatting) might be addressed by expedited administrative proceedings.

To invoke the policy, a trademark owner should either (a) file a complaint with a court of proper jurisdiction against the domain-name holder (or where appropriate an in-rem action concerning the domain name) or (b) in cases of abusive registration submit a complaint to an approved dispute-resolution service provider.

The claimant must prove 3 elements: (1) that the domain name is identical or confusingly similar to a trademark or service mark to which the claimant is entitled; (2) that the registrant has no rights or legitimate interests in respect of the domain name; and that (3) the domain name has been registered and is being used in bad faith.

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## New Spanish trademark law

The new Spanish Trademark Act 17/2001 (the "Act") was created due to a need to harmonize our national rules with Community Trademark Law and the last International Conventions (Madrid Protocol, TRIPS and TLT) ratified by Spain.

The new definition for trademark is similar to that set out in the Community Directive, it incorporates the condition of a graphic representation and the express admission of sound signs.

Further, the Spanish Patent and Trademark Office (SPTO) will no longer examine those trademarks which exist prior to a new application which may be considered confusingly similar. Instead it shall limit its duties to informing the owners of the prior trademarks of the new application, so that they can file opposition against it should they wish to do so in line with Community Trademark Law.

The Act increases the rights of the trade mark proprietor in the following ways:

\* The owner of a registered mark may prohibit any third parties from using any sign identical to the mark for products or services identical to those for which the mark is registered even where there is no risk of confusion. The owner may also prohibit the use of similar signs for identical or similar products, or identical signs for similar products, provided that there is a risk of confusion.

- The owner of a well-known or recognized trade mark may prohibit any third parties from doing those acts which imply not only a risk of confusing the public but also an undue advantage, or that are detrimental to the distinguishing nature of the mark.
- The trademark owner may also prohibit any third parties from using the sign on any electronic communication networks or as a domain name.
- The owner shall be able to request that an indication of its registered status is added to the mark when the mark appears in dictionaries, encyclopaedias or any similar consultation works.

In cases of infringement, the Act establishes a new action enabling either the destruction or the assignment of the products unlawfully identified with the mark in the possession of the infringing party.

New remedies have also been established to reinforce the owner's position in actions for damages: 1) The owner may claim indemnity for any damage caused by the infringing party to the prestige of the mark; 2) The owner of the mark, in order to quantify the damages, may require the responsible party to disclose any relevant documents; 3) Where the infringement of a mark is declared in court, the proprietor is entitled to 1% of the infringing party's turnover resulting from the unlawfully marked products or services, on account of indemnity for damages; 4) Whenever a court orders cessation of any acts infringing a mark, it shall establish an economic indemnity of not less than 600 Euros per day if the infringement continues.

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## Protection of computer software in the UK

Software can be protected in the UK by complementary rights granted by patent, copyright, contract law (via licensing) and design law.

### Patents

The Patents Act 1977 ("the Act") and the European Patent Convention ("the Convention") are relevant to UK businesses.

Although computer programs "as such" are excluded from patent protection, the European Patent Office ("EPO") grants thousands of patents for software inventions every year. The test is whether the software has a technical character. Examples of patentable software inventions include the control by the program of an industrial process or in the internal functioning of the computer itself. The UK Patent Office is now broadly following this approach.

An invention must be new. Any prior disclosure other than under terms of confidentiality could invalidate any resulting patent. The invention must involve an inventive step and must be sufficiently described in the patent claims. Programs and any materials relating to them should be marked with the patent number or bear a statement that a patent application is pending.

The European Commission recently published a draft directive relating to computer-implemented inventions. It aims to harmonise the different approaches of member states and broadly follows the EPO's approach.

### Copyright

Provided that certain criteria are met, such as the originality of the form of expression, computer programs and preparatory design materials are treated as literary works. Copyright protection comes into force automatically. Third parties do have certain rights to study the ideas behind a program without infringing copyright. The reproduction, decompilation or translation of code in limited circumstances may also be permitted. Businesses should mark programs and materials with the (c) copyright sign. One should also indicate the year of creation of the program and the owner. In the US and other countries further formalities are recommended.

### Contract law

Owners of software may control its exploitation by entering into licences with businesses or people who wish to use it. Issues such as exclusivity, source codes and rights of users to do certain things can be covered.

### Semiconductor topographies

This is a special type of design right relating to the pattern of a layer of a semiconductor product or a layer of material relating to the manufacture of a semiconductor product. The right lasts for 15 years and only a narrow range of people may qualify for protection that arises automatically.

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### TO OUR READERS

This Newsletter is intended to introduce and explain on regular basis new areas of European, North and South American intellectual property law and eCommerce of general interest to all of our clients. It is jointly written and produced by PLG's Intellectual Property and eCommerce International Network which includes legal practitioners in several PLG firms and their contacts worldwide. We always welcome comments and questions on any matters raised in PLG Intellectual Property and eCommerce News. Further information is available on all topics but nothing in PLG Intellectual Property and eCommerce News is to be regarded as a definitive statement of the law or as specific legal advice and reliance should only be placed on particular advice obtained from the relevant practitioners in the light of all relevant facts and circumstances. Readers are requested to direct their enquiries to the author of the relevant article.

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