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Transatlantic Antitrust and IPR Developments

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Antitrust

United States

U.S. District Court Dismisses a Sherman Act Class Action Lawsuit Brought by Former and Current Bureau of Prison Inmates for lack of Antitrust Injury

By Valerio Cosimo Romano

On 28 February 2017, the U.S. District Court for the Eastern District of Michigan (hereinafter, "District Court") dismissed a putative class action lawsuit filed by current and released Bureau of Prison ("BOP") inmates who purchased MP3 players and music or other audio files against Advanced Technologies Group LLC ("ATG") and SanDisk Corporation (SanDisk").

The plaintiffs were former and current BOP inmates. While incarcerated, plaintiffs purchased MP3 players on the BOP-operated facility's "Commissary List" of items for sale, which included only those products that met special security features and had the ability to interface with BOP's Trust Fund Limited Inmate Computer System ("TRULINCS"). Indeed, in 2012 BOP and ATG signed a contract granting ATG the exclusive right to supply prison-restricted MP3 players and MP3 music to BOP inmates. In turn, ATG and SanDisk entered into an agreement for SanDisk to exclusively supply the prison-restricted MP3 players to ATG, pursuant to which only one brand and model of MP3 player was available for sale to inmates. The authorized device was not connected to the internet, but could only download approved music and audio books through TRULINCS. Inmates could purchase as many as 1,500 songs, which were stored on the MP3 player. When prisoners were released from BOP custody and they lost access to TRULINC, the MP3 players became inoperable and the prisoners lost access to the purchased audio files. Plaintiffs allege that this loss could only be avoided by buying a post-release MP3 player manufactured by SanDisk and sold by ATG. Also, according to plaintiffs, ATG will not restore any content to a third party player.

Plaintiffs therefore allege that defendants engaged in unlawful tying or a conspiracy to engage in unlawful tying in violation of §1 of the Sherman Act and in unlawful monopolization, attempted monopolization, or conspiracy to monopolize in violation of §2 of the Sherman Act. More specifically, Plaintiffs assert that Defendants unlawfully tied the purchase of prison-restricted MP3 players to the purchase of a post-release MP3 player, and further allege that defendants' conduct has exclusionary and anticompetitive effects with respect to the market for post-release MP3 players. Defendants argue that Plaintiffs lack antitrust standing.

First, The District Court recalled the relevant factors for the establishment of standing to bring an antitrust action, as articulated by the Supreme Court *in Associated Gen. Contractors of Calif.* and summarized by the Sixth Circuit in *Southhaven Land*. These factors are: (i) the causal connection between the antitrust violation and the harm to the plaintiff and the intent of the defendant to cause that harm, with neither factor alone sufficient to confer standing; (ii) whether the plaintiff's alleged injury is of the type for which the antitrust laws were intended to provide redress; (iii) the directness of the injury, which addresses the concerns that liberal application of standing principles might produce speculative claims; (iv) the existence of more direct victims of the alleged antitrust violations; and (v) the potential for duplicative recovery or complex apportionment of damages.

Second, the District Court held that, despite the fact that the factors have to be balanced, antitrust injury is a necessary component, and, therefore, where a plaintiff fails to establish an antitrust injury, the court must dismiss the complaint as a matter of law.

Third, the District Court ruled that an injury will not qualify as an antitrust injury unless it is attributable to an anticompetitive aspect of the practice under scrutiny. In this sense, adhering to the principles established in *Standfacts Credit Servs.*, the District Court held that no cognizable antitrust injury could be identified where the alleged injury is a "byproduct of the regulatory scheme" or federal law rather than of the defendant's business practices, and in this case, the injury stems from BOP policy rather than anticompetitive conduct by Defendants.

In light of the above, the District Court concluded that antitrust injury was lacking to support Plaintiff's Sherman Act claims against defendants. Therefore, it granted motion to dismiss the defendants' antitrust complaint as well as additional common law and state law claims.

Intellectual property

United States

Is Adidas too Aggressive at Enforcing its Three Stripe Trademarks?

By Marie-Andrée Weiss

Adidas owns multiple trademark registrations in the European Union and the U.S. for its famous three stripe design, and it fiercely protects them. It has filed, and won, several trademark infringement suits, and regularly sends cease-and-desist letters asking brands to stop selling shoes or clothes bearing stripes.

In February 2017, Adidas filed a notice of opposition with the U.S. Patent and Trademark Office Trademark Trial and Appeal Board (TTAB) to the registration of a mark that Tesla Motors was seeking to register for articles of clothing. The mark would have consisted of "three equal length horizontal stylized lines in the manner of a stylized number 3." The trademark has since been abandoned after an inter-partes decision by the TTAB.

On 17 February 2017, Adidas also filed a trademark infringement and dilution suit against competitor Puma North America Inc. in the district court of Oregon. Adidas claimed that Puma's new model of soccer cleats, which bear four diagonal stripes on each side, infringes on the Adidas trademark as it is likely to cause consumer confusion as to the source of the footwear. Adidas voluntarily dismissed the case on 28 February 2017, likely following successful negotiations with Puma.

On 14 February 2017, the Barcelona Football Club abandoned its application to register a mark in class 28, for sporting articles, following a notice of opposition filed by Adidas on 31 October 2016, and an inter-partes decision by the TTAB. The abandoned mark consisted of "a square containing seven vertical stripes. The 1st, 3rd, 5th and 7th stripes from the left are blue, and the remaining three stripes are garnet."

On 17 March 2017, Adidas filed a trademark infringement and dilution suit in the Eastern District of North Carolina, against fashion company Juicy Couture, which came to fame some 15 years ago for creating a velour tracksuit. Adidas claimed that some jackets and pants, bearing stripes on their sleeves and sides, infringe several of its trademarks.

Adidas has won or settled all of the trademark infringement cases it has filed. Will the streak ever end?

The scope of the three-stripe trademark

What exactly do the Adidas trademarks protect? Are all three stripes claimed by Adidas under the trademark? Are all stripes on shoes and clothing, regardless of the number of stripes, claimed by Adidas?

Adidas owns several federal trademark registrations in the U.S. for a mark consisting "of three parallel stripes applied to footwear, the stripes are positioned on the footwear upper in the area between the laces and the sole," (see here, here, or here). Adidas also owns trademarks for clothing bearing the three stripes (see here) and even for verbal trademarks using the term "3 stripes," such as the trademark "THE BRAND WITH THE 3 STRIPES." Does that mean that Adidas has a monopoly for just about every trademark featuring three stripes, every trademark featuring two or four stripes, or even for clothing featuring any number of stripes?

The February 2017 complaint against Puma stated that Adidas has been using the three-stripe trademark on shoes since 1952 and on apparel since 1967. While easily recognizable, Adidas's three-stripe trademark is also simple: three stripes, often shown diagonally on the sides of shoes, on the sleeves of a training jacket, or the sides of training pants, shorts, or shirts. The three stripes are all of the same width when seen together, but this width varies from trademark to trademark. The distance between each stripe also varies.

In the USPTO Design Search Code Manual, category 26 is for "geometric figures and solids." 26.17 is for "lines, bands, bars, chevrons and angles" and 26.17.01 is for "straight line(s), band(s) or bar(s)." 26.17.05 is the code for "horizontal line(s), band(s) or bar(s)."

The design search codes for the trademark which Tesla sought to register were 26.17.01 and 26.17. A recent search in the TESS database for a mark with a 26.17. 01 code yielded 89,266 records and a search for marks with the 26.17.05 code yielded 81,820 records. Amongst the 26.17.05 results, 14 were filed by Adidas.

The mark which Tesla sought to register was described in the application as consisting of "three equal length horizontal stylized lines in the manner of a stylized number 3." Yet the stripes were not similar to Adidas stripes, which are cut in a neat angle. Tesla's stripes were cut on the side in a soft curve, resembling a Japanese wood beam or roof. The Barcelona Football Club was trying to register as a trademark the stripes which are seen on its own logo, which is itself a registered trademark! Indeed, many sports teams around the world sport stripes on their uniforms. A stripe is a stripe is a stripe. Yet Adidas opposed these two trademark registrations.

Is Adidas going too far?

This is not the first time that Adidas sued a company over the use of stripes on shoes or clothing, even if more or less than three stripes are featured. Adidas sued several European retailers in the late nineties over the use of two stripes on the side of sports clothes, which eventually led to the European Court of Justice ruling in 2008, in Adidas AG and Others v. Marca Mode CV and Others, that Adidas' competitors could not "be authorized to infringe the three-stripe logo registered by Adidas by placing on the sports and leisure garments marketed by them stripe motifs which are so similar to that registered by Adidas that there is a likelihood of confusion in the mind of the public" (at 32).

While there may be a need for signs which do not have a distinctive character, such as stripes, to be available for competitors, this need "cannot be taken into account in the assessment of the scope of the exclusive rights of the proprietor of a trade mark" (ruling of the Court). The European Court of Justice thus chose to protect the public against any likelihood of confusion.

U.S. fashion manufacturers also encounter legal difficulties when using stripes on garments, and their frustration is mounting. On 3 March 2017, fashion retailer and manufacturer Forever 21 filed a complaint against Adidas, asking the Central District Court of California for a declaratory judgment of non-infringement of trademark. Forever 21 claims that Adidas is now "essentially asserting that no item of clothing can have any number of stripes in any location without infringing Adidas trademarks." Forever 21 is "[t]ired of operating with a cloud over its head with regard to its right to design and sell clothing items bearing ornamental/decorative stripes" and "has decided that enough is enough… This matter is ripe for a declaratory judgment." However, Forever 21 voluntarily dismissed the case on 13 March 2017.

Stripes are never out of fashion, and fashion designers frequently use them on the side of pants or jackets. Is this infringement? Forever 21 had claimed that "Adidas should not be allowed to claim that Adidas, alone, has a monopoly on striped clothing." The retailer filed the suit after receiving yet another cease and desist letter sent by Adidas, this time asking Forever 21 to stop selling clothes bearing four stripes, including a sports bra, tee shirts and pants. Forever 21 claimed that "[a]ny use of stripes on clothing sold by Forever 21 is ornamental, decorative, and aesthetically functional."

Adidas had sent a similar letter to Forever 21 in June 2015, which claimed that a sweat shirt featuring Snoopy, with stripes on its cuffs, bottom and collar, was infringing. However, varsity jackets, or letterman jackets, traditionally sport stripes in similar places, and Forever 21 indeed described its Snoopy shirt as featuring "generic varsity-style stripe pattern." Is Adidas too aggressive in enforcing its mark?

A need to police the mark

These cease and desist letters illustrate what trademark owner must do to avoid losing their rights through failure to control use. Section 45 of the Trademark Act states that a mark is abandoned when "any course of conduct of the owner, including acts of omission as well as commission, causes the mark to… lose its significance as a mark." This includes failing to adequately police the mark against third-party use. Also, the three-stripe mark is famous, thus making trademark dilution another concern for Adidas. In fact, even just the appearance of dilution is a concern, since trademark owners only need to prove a likelihood of dilution, not actual dilution, after the enactment of the Trademark Dilution Revision Act of 2006. Adidas does not want its three stripes to strike out. But is it the general public which ends up losing?

Intellectual property

United States

Anti-Harassment Video Turned Appetizers Ad is Not False Endorsement

By Marie-Andrée Weiss

On 24 January 2017, Judge Abrams from the Southern District of New York (SDNY) granted a motion to dismiss from a video director who had been sued for violation of Section 43(a) of the Lanham Act by an actress featured in an anti-street-harassment video he had directed, and which he later licensed for use in an TGI Friday's appetizers advertisement. The case is Roberts v. Bliss, No. 15-CV-10167.

Plaintiff had been hired to appear in "10 Hours Walking in NYC as a Woman," (the video) which was filmed by hidden camera to show the amount of catcalling directed at women walking on the streets. The actress was filmed for 10 hours walking in the streets of Manhattan, while men commented on her appearance and asked for her phone number. The footage was edited to a 1.56 minute video, which ended with a message urging viewers to donate to a non-profit organization dedicated to fighting street harassment, which had commissioned the video.

The video was directed and produced by Defendant Rob Bliss. He posted the video on YouTube in October 2014, and it went viral within 24 hours, receiving 10 million views in the first 24 hours of its posting. It has now been seen some 44 million times. After the video went viral, Bliss used it on his professional website to advertise his services. In February 2015, he licensed the video to a Colorado advertising agency, which used it to create two ads for TGI Friday's, a fifteen-second ad and a thirty-second ad (the ad).

The ad starts with a black screen with the text, "Nobody likes a catcaller," and then shows clips of the video, with oversized pictures of new TGI Friday's appetizers entirely covering Plaintiff's body. This gives the impression that men on the street are expressing their admiration for mozzarella sticks or potato skins. The ad ends with another black screen which reads: "But who can blame someone for #AppCalling?"

Plaintiff sued Bliss, his company, and the non-profit which had originally commissioned the ad, claiming that the ad misleadingly implied that she had endorsed the ad and the appetizers, in violation of Section 43(a) of the Lanham Act, which forbids false endorsements. She also claimed that her right of publicity under New York law had been violated. Claims against the non-profit were later dropped.

The Section 43(a) false endorsement claim fails

Plaintiff claimed that she had not licensed her identity or persona to be used in the ads and would not have done so if offered to license it. She claimed that the ad violates Section 43(a) of the Lanham Act, as it "depicted [her] persona and conveyed the false impression to a substantial group of viewers… that she had participated in, authorized or endorsed the [ad]" (Complaint, p. 12-13).

While right of publicity laws generally forbid using a person's likeness for commercial purposes, the Lanham Act, which prohibits the unauthorized use of personal identity in endorsements or advertising, may also be used to that effect. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) prohibits:

"us[ing] in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which… is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or… in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities."

Judge Abrams cited Burck v. Mars, Inc., a 2008 SDNY case, which enumerated the elements of a false endorsement claim under the Lanham Act, which require that "the defendant, (1) in commerce, (2) made a false or misleading representation of fact (3) in connection with goods or services (4) that is likely to cause consumer confusion as to the origin, sponsorship, or approval of the goods or services".

The ad did not use Plaintiff's persona

Plaintiff did not claim that her name had been used, but instead her "persona," which indeed could fall within the scope of Section 43(a), as its broad terms may indeed protect persona.

Judge Abrams examined what exactly is a "persona" and noted that it is defined by the *Oxford English Dictionary* as "the aspect of a person's character that is displayed to or perceived by others." He also quoted two 1992 Ninth Circuit cases recognizing persona. In Waits v. Frito Lay, a case about the unauthorized imitation of Tom Waits' voice, the court held that an artist's distinctive voice and style was part of his persona. In White v. Samsung Elecs. Am. Inc., the court recognized that Vanna White had a right to her individual style and stance within the context of the set of *Wheel of Fortune*, where she had become famous; therefore, an ad could not use a robot in a blonde wig and pink dress on a set resembling *Wheel of Fortune.*

In this case, Judge Abrams was not convinced by Plaintiff's claim "because neither she, nor any representation of her, her image, or her persona, appear in the TGI Friday's advertisement, and the ad contains no false or misleading statement suggesting that she endorsed TGI Friday's or its appetizers." He noted further that "the superimposed renderings of appetizers cover [Plaintiff's] entire body."

Judge Abrams also noted that Plaintiff could not claim that she is so associated with her performance that the ad falsely implies that she endorsed the appetizers, because the Second Circuit held in Oliveira v. Frito Lays, Inc. that a signature performance, which is one in which a "widespread audience associates with the performing artist," cannot be claimed as a trademark. In *Oliveira*, the Court found that Astrud Gilberto, the singer who first sang *The Girl From Ipanema*, could not claim her performance as a trademark and thus claim her rights had been infringed by the use of her performance in an ad without her permission. Judge Abrams noted that TGI Friday's had purchased a license for the video, just as Frito Lays had purchased a license to use *The Girl from Ipanema* in the potato chip ad. Judge Abrams concluded that the ad did not falsely imply that Plaintiff endorsed the products, noting again that Plaintiff is not seen at all in the ads.

There is no likelihood of confusion as to Plaintiff's sponsorship because the ad is parody

Judge Abrams also found that Plaintiff did not prove that consumers were likely to be confused as to her sponsorship of the ad. He quoted Burck, where the SDNY found that if a trademark is parodied, it may be *"*enough to result in no confusion under the statutory likelihood of confusion analysis*."* Thus, if there is a parody, there is probably not consumer confusion. This had also been noted in January 2016 by Judge Furman of the SDNY in the Louis Vuitton v. My Other Bag case, which was recently affirmed by the Second Circuit (see here for a former discussion of the case in the TTLF newsletter). In that case, Judge Furman discussed the parody of a trademarks at length, and observed that "a parody clearly indicates to the ordinary observer that the defendant is not connected in any way with the owner of the… trademark." In *Bliss*, Judge Abrams found the ad to be "a clear parody" of the video, which "in no way suggests that [Plaintiff] was championing the product used to mock the video for its own commercial benefit."

The right of publicity claim was not addressed by the federal court

Since Judge Abrams dismissed the federal law claim which had justified federal jurisdiction, he declined to review the New York right of publicity claim.

New York's right of publicity law is codified in New York Civil Rights Law, Section 50-5, and protects the right to privacy of a person if a "person, firm or corporation" uses her "name, portrait or picture" for "advertising purposes, or for the purposes of trade… without having first obtained the written consent of such person".

Would Plaintiff be more successful in her claim that her persona had been used without her permission in a New York court? As noted in a previous TTLF newsletter, some state's right of publicity laws protect personas, such as the Alabama Right of Publicity Act which protects the right of publicity of individuals "in any Indicia of Identity," and thus extend its protection to persona. This is not the case in New York.

Actress Lindsay Lohan recently argued

that the protection of New York's right of publicity includes her persona, which she claimed is composed of various elements such as a bikini, shoulder-length blonde hair, jewelry, a cell phone, sunglasses, a loose white top, and her signature 'peace sign' pose. he Appellate division of the New York Supreme Court dismissed her claim on 1 September 2016, because New York law only protects against unauthorized use of a person' name, portrait, or picture— not a persona. However, in February 2017 the New York Court of Appeals accepted review of this case, and so may affirm or modify the narrow scope of the New York's right of publicity.

Plaintiff has appealed her federal case and is likely to pursue her New York right of publicity case. Regardless, this case highlights the dangers of performing without a written contract. Plaintiff alleged in her complaint that she agreed to participate in the project without being compensated because the video had been presented to her as a public service announcement against street harassment. She received death and rape threats after appearing in the original video. This case brings in mind the Garcia v. Google case (discussed in a previous TTLF newsletter here) where an actress unsuccessfully claimed copyright in her performance. There are no neighboring rights provided to performers in U.S. law, unlike, say, French law, which grants performers a *droit voisin*,, a sort of property right over their interpretation of the work protected by copyright . In a statement, Plaintiff wrote that "the rights of all actors and other creative artists are increasingly threatened by those who profit commercially from their content without paying for it." Should U.S. law give performers a neighboring right?

Intellectual Property
Canada

Eli Lilly Loses in Chapter 11 NAFTA Arbitration over Drug Patents

By Gabriel M. Lentner

On 16 March 2017, the NAFTA tribunal issued its final award in the case of *Eli Lilly v Canada*, dismissing the claim.

Two patents of the U.S. pharmaceutical company known as 'Eli Lilly' were invalidated by the Canadian federal courts based on judicial interpretations of the utility requirements contained in the Canadian patent statute (referred to as the 'promise utility doctrine'). Eli Lilly alleged that these interpretations, and in particular the courts' adoption of the promise utility doctrine, departed dramatically from prior Canadian patent law. On this basis, Eli Lilly initiated proceedings against Canada under Chapter 11 of NAFTA claiming that the invalidation of its patents amounted to unlawful expropriation of its intellectual property (NAFTA Article 1110) and a violation of the Minimum Standard Treatment (NAFTA Article 1105).

The Tribunal dismissed the alleged breaches stating that the Claimant had not met the required burden of proof. However, it noted *inter alia* that, contrary to what Canada argued, not only may a denial of justice serve as a basis of liability for judicial measures, but also other conduct which 'may also be sufficiently egregious and shocking, such as manifest arbitrariness or blatant unfairness'. It held that invalidation under naturally evolving patent laws is not a breach of legitimate expectations but also suggested that a violation could take place when 'a fundamental or dramatic change in Canadian patent law' occurs.

Finally, the Tribunal noted that the evolution of the Canadian legal framework, in relation to Claimant's patents, could not sustain a claim of arbitrariness or discrimination amounting to a violation of NAFTA Articles 1105 or 1110.

The award comes at a time of heightened interest (and criticism) surrounding the use of Investor-State Dispute Settlement (ISDS) for the protection of intellectual property rights (see cases of *Philip Morris v Australia* and *Philip Morris v Uruguay*).The Tribunal was careful not to dismiss out of hand IP-based ISDS claims, but similarly did not provide any further clarification regarding such cases and the applicable legal standards for IP protection. Thus, this case will not necessarily serve to reduce the uncertainties in this area of law, and as a result, as one commentator put it, it rather further opened the door to such claims.

Intellectual Property

European Union

Happy Ending in Sight? New Impulses for the European Unitary Patent

By Martin Miernicki

On 10 February 2017, Italy ratified the Agreement on a Unified Patent Court. Already, the UK had announced their commitment to continuing the ratification process of the agreement, despite the ongoing "Brexit"-discussion.

The unitary patent – an overview

The legal basis for the unitary patent is the so-called "patent package" adopted between 2012 and 2013. It consists of three main instruments:

- Regulation (EU) No 1257/2012 **creating a unitary patent (Unitary Patent Regulation)**
- Council Regulation (EU) No 1260/2012 **on translation arrangements (Unitary Patent Translation Regulation)**
- Agreement on a Unified Patent Court **(UPC Agreement)**

The patent package is the result of an enhanced cooperation (art. 326 et seq. TFEU) between, originally, 25 EU member states. Italy joined in 2015, leaving Spain and Croatia as the only member states not participating in the enhanced cooperation.[1] The adoption of the patent package was accompanied by several disputes,[2] especially regarding translation arrangements.

The unitary patent (European patent with unitary effect) supplements the options for the international protection of patents like the protection systems under the Patent Cooperation Treaty (PCT) or the European Patent Convention (EPC). The unitary patent is designed as a European patent issued by the European Patent Office (EPO) under the EPC. A European patent granted with the same set of claims in respect of all the participating member states can, upon request of the patent owner, benefit from the unitary effect under the Unitary Patent Regulation. In this case, the patent provides uniform protection and has equal effect in the participating member states (art. 3 of the Unitary Patent Regulation). Translations – in addition to those required under the EPC procedure – may be necessary if a dispute arises relating to the infringement of a unitary patent and during a transitional period (article 4, 6 of the Unitary Patent Translation Regulation). The Unified Patent Court (UPC) has jurisdiction for the unitary patents according to the UPC Agreement.

Entry into force

The Unitary Patent Regulation's entry into force is linked to the UPC Agreement (art. 18). The same applies to the Unitary Patent Translation Regulation (art. 7). The UPC Agreement will enter into force upon

[1] For the time being, Poland has not signed the UPC Agreement.
[2] Spain unsuccessfully asked the ECJ to annul the Unitary Patent Regulation, see *Spain v. European Parliament*, C-146/13 (2015).

the ratification of thirteen member states, including France, Germany, and the UK (as the countries with the highest number of European patents). As of March 2017, 12 signatory states, including France, have ratified the agreement.

What can be expected?

The British announcement to continue preparing for ratification was somewhat surprising given the current circumstances involving Brexit. It remains to be seen how the UK government will proceed, especially in light of the upcoming negotiations between the EU and the UK on their future relationship. The announcement alludes to this point, saying, "[t]he decision to proceed with ratification should not be seen as pre-empting the UK's objectives or position in the forthcoming negotiations with the EU." Furthermore, British minister Jo Johnson presented a favorable explanatory memorandum on the UPC to the British Parliament earlier this year. In turn, Italy's ratification highlights that the preparation for the unitary patent is ongoing, and shows that the patent package could indeed enter into force sooner than later. Meanwhile, the UPC Preparatory Committee is working towards the phase of provisional application, which it expects to start in spring 2017.

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Other developments

European Union

CJEU: Comparative Advertising Lawful Only if it Compares Goods from Stores of Similar Sizes

By Marie-Andrée Weiss

On 8 February 2017, the Court of Justice of the European Union (CJEU) held that an advertisement comparing prices of goods sold in shops of different sizes and formats is liable to be unlawful as the advertisement does not clearly inform consumers of these differences in sthe stores' sizes and formats. The case is [Carrefour Hypermarchés SAS v. ITM Alimentaire International SASU, C-562/15.]

ITM is responsible for the strategy and commercial policy Intermarché, the retail chain, which owns supermarkets and hypermarkets, the largest of stores in the EU (Intermarché). Carrefour Hypermarché is part of the Carrefour group, which owns supermarkets, hypermarkets, and small stores in cities (Carrefour).

Carrefour launched a comparative television advertising campaign in 2012 which compared the prices of 500 leading brand products sold in its hypermarkets with the prices of these goods in competitors' stores, and offered to reimburse consumers twice the price difference if they found cheaper prices for these goods than at Carrefour stores.

However, Carrefour compared its hypermarkets prices with Intermarché's supermarket prices, without informing the public of the difference in the stores' sizes and format. which prices were being compared in the advertisement. This information was only published on Carrefour's website, and in small print.

Intermarché filed suit against Carrefour in October 2013, asking the Paris Commercial Court to enjoin Carrefour from disseminating the ad. The Court awarded Intermarché 800,000 euros in damages. Carrefour appealed to the Paris Court of Appeals, and also requested that the issue be referred to the CJEU for a preliminary ruling.

The European Union law and the French law of comparative advertising

Article 6 of Directive 2005/29 defines a misleading commercial action as one which "contains false information and is therefore untruthful or in any way… deceives or is likely to deceive the average consumer… or is likely to cause him to take a transactional decision that he would not have taken otherwise." Article 2(b) of [Directive 2006/114/EC] defines "misleading advertising" as "any advertising which in any way, including its presentation, deceives or is likely to deceive the persons to whom it is addressed or whom it reaches and which, by reason of its deceptive nature, is likely to affect their economic behavior or which, for those reasons injures or is likely to injure a competitor."

Article 4 of Directive 2006/114/EC allows comparative advertising if it is not misleading, Article 4(a), and if it "objectively compares one or more material, relevant, verifiable and representative features of those goods and services, which may include price," Article 4(c). Similarly, French law authorizes comparative advertising if it is not misleading or likely to deceive, Article L. 121-8 of the Consumer Code, in force when the suit against Carrefour was filed.[3] Both articles recite the termsof Directive 2006/114/EC.

The Paris Commercial Court found that Carrefour advertising did not comply with Article L. 121-8 of the Consumer Code. The Paris Court of Appeals asked the CJEU if price comparison is allowed by Article 4 of Directive 2006/114/EC only if the goods are sold in stores with similar formats and sizes. It also asked the CJEU if comparing prices of stores with different sizes and formats is "material information" within the meaning of Article 7(1) of Directive 2005/29, which states that a commercial practice is "misleading" if it omits "material information that the average consumer needs" to make an informed transactional decision. The Paris Court of Appeals also asked the CJEU to explain to what degree and via which medium this information must be disseminated to the consumer.

Is comparative advertising only legal if it compares prices of products sold in shops of similar sizes?

The CJEU synthesized the questions of the Paris Court of Appeals as: whether Article 4(a) and 4(c) must be interpreted as saying that an advertisement comparing the prices of products sold in shops of different sizes is unlawful?

The CJEU noted that Article 4 of Directive 2006/114 does not require that the shops compared be of similar formats or sizes. However, comparative advertising must not undermine fair competition or the interest of consumers (at 22). This would be the case if the comparative advertisement is misleading.

The difference in size or format of the shop may distort the objectivity of the price comparison

Article 4(c) of Directive 2006/114 requires the comparison be objective. However, as noted by the Court, "in certain circum-stances the difference in size or format of the shops in which the prizes being compared by the advertiser have been identifiedmay distort the objectivity of the comparison" (at 26). Indeed, Attorney General Saugmandsgaard Øe noted in his October 19, 2016 Opinion, "that generally… the prices of consumer products are likely to vary according to the format and size of the shop" (Opinion at 43). Such "asymmetric comparison" of prices could "artificially creat[e] or increase[e] any difference between the advertiser's and the competitor's prices, depending on the selection of the shops for the comparison" (Opinion at 57, and CJEU at 27).

While Directive 2005/29 does not define

[3] Article L. 121-8 of the Consumer Code has since been abrogated and replaced, without any changes, by Article L. 122-1 of the Consumer Code.

what the “material information” cannot be omitted from the ad, the CJEU found that material information is the information that an average consumer would need to make an informed transactional decision (at 30).

If the prices compared in the ad are those of shops of different sizes and formats, it is likely to deceive the consumer, if these shops “are part of retail chains each of which includes a range of shops having different sizes or formats” (CJEU ruling, paragraph 1). Indeed, the customer may believe that the advertised price difference applies to all the shops in the advertiser’s retail chain, and such advertising is thus misleading (at 33 and 34). As this information is “necessary” for the consumer to make an informed decision on where to shop, it is a “material information” within the meaning of Article 7 of Directive 2005/29 (at 35).

The information of the difference in shops ‘sizes and format must be clear

Such advertising is misleading unless the customer is informed that the prices compared concerns shops of different sizes and formats (at 36). Such information must “clearly” provided, in the advertisement itself (at 38).

It is the duty of the national courts to assert, case by case, whether a particular advertising is misleading (at 31) and thus the referring court, the Paris Court of Appeals, will have to ascertain, in the light of this case, if the Carrefour comparative advertisement is misleading (CJEU ruling, paragraph 2). It is very likely that it will rule that such comparative advertising is misleading, as Carrefour compared prices in its hypermarkets to prices with Intermarché’s supermarkets, and such shops. While both shops are part of a retail chain, they are different in size and format.

Other developments

European Union

The UK Issues Guidance on GDPR Consent

By Nikolaos Theodorakis

The General Data Protection Regulation (GDPR) will come into force on 25 May 2018, replacing UK's Data Protection Act 1998 (DPA). It is yet unclear how Brexit will play out, yet in the meantime, the United Kingdom is moving to adopt the GDPR principles so that it adequately protects the personal data transferred within the EU. The GDPR sets a high standard for consent and compliance, which means that companies must start preparing for this transition.

The Information Commissioner's Office (ICO) issued a guidance on GDPR consent on 2 March, explaining its recommended approach to compliance and its definition of valid consent. The ICO also provides examples and practical advice that can assist companies deciding when consent is unbiased, and when other alternatives must be sought.

The guidance's main points on consent are:

- Individuals should be in genuine control of consent;
- Companies should check their existing consent practices and revise them if they do not meet the GDPR standard. Evidence of consent must be kept and reviewed regularly;
- The only way to adequately capture consent is through an opt-in;
- Explicit consent requires a very clear and granular statement;
- Consent requests should be separated from other terms and conditions. Companies should avoid making consent a precondition of service;
- Every third party who relies on the consent must be named;
- Individuals should be able to easily withdraw consent;
- Public authorities and employers may find using consent difficult. In cases where consent is too difficult, other lawful bases might be appropriate.

The basic notion of consent is not new. It was initially defined under the Data Protection Act 1998 (DPA) that implemented the Data Protection Directive 95/46/EC, which is currently in force. The GDPR builds on the standard of consent that was introduced in the DPA and includes more details and specific requirements. Consent is now defined in Article 4(11) of the GDPR in a similar way as in previous legislation, yet adding requirements of unambiguity and clear affirmative action. More provisions throughout the GDPR however relate to consent (e.g. Article 7 and recitals 32, 42 and 43), which complicates the notion of consent and what employers need to do to secure valid consent.

The ICO is running a public consultation on the draft guidance until 31 March 2017 to solicit the views of relevant stakeholders and the public. The feedback received will then be taken into account in the published version of the guidance, which is provisionally aimed for May 2017. The GDPR consent guidance can be found here, and the public consultation form here.

Other European countries have already launched relevant public consultation events:

In June 2016, the French data protection authority ("CNIL") launched a public consultation on the GDPR. Two hundred twenty-fiv organizations participated in the public consultation and the outcome was integrated into recent guidance from the Consortium of European Data Protection Authorities. The CNIL's report on the French public consultation is available (in French) here.

In Germany, the Interior Ministry has been drafting a proposed Data Protection Amendments and Implementation Law (Datenschutz-Anpassungs- und Umsetzungsgesetz – or "DSAnpUG") approximately since the GDPR was passed. The DSAnpUG implements the GDPR as well as the EU Law Enforcement Information Sharing Directive 2016/860. At present, several committees of the Upper House of Parliament (Bundesrat) are debating the draft, and a full vote of the Upper House is scheduled for March 8, 2017.

In February 2017, the Spanish Ministry of Justice launched a public consultation as a preliminary step before the drafting of a new bill implementing the GDPR. The press release on the Spanish consultation is available (in Spanish) here.

It is important to remember that invalid consent can have severe financial consequences, apart from reputational damage. Infringements of the basic principles for processing personal data, which includes consent, are subject to the highest tier of administrative fines. This means a fine of up to 20 million Euro, or 4% of a company's total worldwide annual turnover, whichever is higher, could be issued.

Other developments

European Union

E-Privacy - The European Commission Issues a Proposal for a New Regulation

By Maria Sturm

On 6 May 2015, the European Commission issued a communication with the title "A Digital Single Market Strategy for Europe" to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. This digital single market strategy is comprised of three main pillars:

1. Better access to online goods and services for consumers and businesses across Europe.

2. Creating the right conditions for digital networks and services to flourish.

3. Maximizing the growth potential of the European Digital Economy.

The second pillar includes the goal of creating new possibilities to process communication data and to reinforce trust and security in the Digital Single Market[4]. Therefore, in January 2017, the EU Commission issued a proposal for a "Regulation of the European Parliament and of the Council concerning the respect for private life and the protection of personal data in electronic communications and repealing Directive 2002/58/EC (Regulation on Privacy and Electronic Communications)". A study was conducted on behalf of the EU Commission to evaluate and review Directive 2002/58/EC. The most important findings of the study were:

1. The Member States transposed the directive in very different ways. This uneven transposition led to legal uncertainty and an uneven playing field for operators.

2. This fragmented implementation leads to higher costs for businesses operating cross-border in the EU.

3. New means of communication (e.g. WhatsApp) are not covered by the directive. This means that EU citizens enjoy a different level of protection, depending on which communications tools they use.

Based on these findings, the new proposal seeks to keep up with the pace of the fast developing IT-services. The data business is an important economic actor, which creates a lot of workplaces. This sector needs to be able to use data and make it available. But on the other hand, consumer protection and privacy, as emphasized in Art. 7 of the Charter of Fundamental Rights of the EU, are important in establishing and maintaining trust in the digital single market. Thus, the proposal aims to strike the right balance between the expectations of businesses and the expectations of

[4] European Commission, Press Release IP-17-16.

consumers, and to establish a framework for more security on both sides.

The focal points of the proposal are:

1. The directive will be replaced by a regulation to create an even playing field for operators across the EU. While a directive needs to be transposed by each single Member State, the regulation becomes immediately enforceable.

2. The proposal covers new means of communication, such as instant messaging or VoIP telephony[5], the so-called "Over-the-Top communications services". It therefore guarantees the same level of confidentiality no matter whether a citizen of the EU uses a new communication system or makes a "traditional" phone call.

3. New business development opportunities can emerge, because once consent is given, communication data can be used to a greater extent.

4. Cookie-rules, which today are cumbersome and result in an overload of consent requests, will be streamlined and made more user-friendly.

5. Spam protection will be increased.

6. Enforcement will be delegated to national data protection authorities, which are already responsible under the General Data Protection Regulation. This makes enforcement more effective.

The proposal attacks directly the problems and issues detected by the study on Directive 2002/58/EC and aligns the ePrivacy legislation with the General Data Protection Regulation of April 27, 2016 (see also TTLF Newsletter of February 3, 2017). There may be further changes made to the proposal during the rest of the discussion. It remains to be seen exactly what those developments will entail. However, it is a given that the current legislation on privacy and electronic communication is fragmentary and needs to adapt to new electronic evolutions and needs.

[5] Voice over Internet Protocol.

Other developments

European Union

Do-It-Yourself Synthetic Biology Punishable in Germany

By Bartlomiej Kolodziejczyk

Do-It-Yourself synthetic biology is a rapidly evolving and emerging social biotechnology movement in which individuals, community groups, and small organizations study biology and life science using methods similar to those of traditional research institutions. DIY synthetic biology is primarily undertaken by individuals with extensive research training from academia or biotech and pharmaceutical corporations, who then mentor and supervise novice DIY biologists with little or no formal training.

The movement has become so prominent that many large cities have designated “biomarker spaces” run by citizen scientists and eager DIY synthetic biology enthusiasts. Complete, ready-to-use DIY synthetic biology kits can be purchased online from a variety of sources and savvy scientists have used these tools to alter biological organisms, i.e. E. coli bacteria, plants and more, and engineer them to, for example, glow in the dark.

These developments bring many opportunities, but at the same time present peculiar challenges. The fact that some of these organisms can be hazardous to the environment, biodiversity, and human health cannot be overemphasized. Moreover, inexpensive genome modification methods that are easily implemented by novices could create new channels for bioterrorism, which may be especially concerning given recent terrorist activities.

On 25 January 2017, the Federal Office for Consumer Protection and Food Safety of Germany (Bundesamt für Verbraucherschutz und Lebensmittelsicherheit) issued a statement prohibiting the use of DIY synthetic biology and genetic engineering kits outside of the specialized facilities and research institutions.

Whoever disobeys the law by ordering a DIY kit and utilizing that kit outside of the designated facilities will be liable to a fine up to 50,000 Euros in accordance with § 38 (1) (2) Genetic Engineering Act (GenTG). Furthermore, if Genetically Modified Organisms (GMOs) are released due to the use of the DIY kits, the offender can face imprisonment of up to three years or a fine as stated under Section 39 (2) (1) GenTG.

The statement sent a wave of shock through the DIY bio community. The enactment of laws governing the proliferation of biotechnology, such as the regulation of genetic engineering (Gentechnikgesetz - GenTG), ratified on 20 June 1990, is not new. However, recent developments and the growing movement of biohackers pushed the Federal Office for Consumer Protection and Food Safety to enforce these regulations. In accordance with § 8 para. 1 sentence 1 GenTG, genetic engineering work may only be carried out in genetic engineering facilities, i.e. in suitable, officially designated laboratories under the supervision of a qualified project manager or researcher.

Germany is not the only state trying to regulate this new movement. A few days prior to the German statement, the U.S. Food and Drug Administration (FDA) quietly proposed regulations that would require any genetically engineered organism to go through a strict regulatory procedure. In essence, the FDA wants to define any organism that a scientist purposefully genetically modifies as a "drug", and such development would have to pass strict and lengthy clinical trials to be approved.

Europe is generally stricter than the United States in regulating genetic engineering and genetically modified products. In certain European states, the legality of DIY genetic engineering is ambiguous. Germany's statement may inspire other European and non-European nations to take similar, firm stances to regulate the activities of the social biotechnology movement. Recent events indicate that precautionary measures will be embraced by more nations across the globe.

Courts 2.0: An Update on the Growth of Online Courts in the EU

By Irene Ng (Huang Ying)

In the past two years, the EU and its member states have been developing online dispute resolution ("ODR") mechanisms to allow its citizens to resolve disputes faster and in a more cost-effective manner. The EU has launched its very first ODR platform back in February 2016 that is dedicated to helping "consumers and traders resolve their disputes out-of-court".

The acceptance and use of ODR by the EU shed a light on how technology can facilitate dispute resolution in various ways. Instead of discussing how there are different forms of ODR within EU member states, this short article intends to focus on how EU member states have tried to revolutionize their court systems with technology, i.e. the creation of an online court.

The idea of such an "online court" is not novel. Much earlier in February 2015, the UK Courts and Tribunals Judiciary's Online Dispute Resolution Advisory Group released an ODR Report advocating for Online Dispute Resolution for low value civil claims, i.e. claims of up to GBP 25,000. This online court dealing with small claims is intended to combat the existing system, which has been criticized as being "too costly, too slow, and too complex, especially for litigants in person" (see here). The report then suggested that a new "Internet-based court service" be established", which will allow disputes to be brought to a "speedy, fair conclusion without the involvement of judges" (see here).

Talks about the development of an online court system remain relatively quiet. One noteworthy development in the EU, however, is the Dutch's integrated legal services platform, i.e. the Rechtwijzer 2.0, an "online-base dispute resolution platform that supports people throughout their justice journey" (see here). Although technically not a court system in itself, the embracement of using technology as a means of resolving disputes may help build a person's comfort level in using Internet-based courts, thereby paving the way for more EU members to call for such court systems.

When thinking about online courts, turning to other non-governmental companies or institutions for inspiration on cost-effective dispute resolution methods that can be implemented within courts may be interesting. For instance, companies such as eBay and Modria have ODR systems in place to handle disputes between buyers and sellers. While eBay and Modria do not technically provide a "court" environment to litigate disputes, they have however aggregated much experience over the years to allow effective dispute resolution services without a human judge. This goal is similar to what the UK has in mind when discussing about how the small claims court should be reformed. If so, then it may be worthwhile for courts to explore how these companies develop effective and robust systems to deal with such voluminous small claims, so as to implant them in their court systems to improve efficiency.

However, it appears that the development of online courts seems to be targeted towards courts handling voluminous amounts of small claims. For other courts, the development of a fully Internet based court seems to be less of a priority at the present moment – yet it should be worth noting that across the EU, courts in different EU member states are slowly integrating technology within the court. For instance, in Germany, the German courts developed an "electronic legal proceed-ings" system, which intends to promote planning certainty in legal proceedings for all parties involved. This project has been implemented in a variety of ways in the different states in Germany (see Eletronischer Rechtsverkehr). Similarly, the Slovenia courts have allowed attorneys who intend to commence a lawsuit can do so using an online portal (see Portal e-Sodstvo). With the expansion of other litigation services such as eDiscovery, it will not be surprising to see courts in EU member states modernizing or revamping documentation processes as well.

The greater growth and acceptance of online services may result in EU citizens becoming more comfortable with online legal services, including the use of online courts to resolve disputes. Whether technology becomes sophisticated enough for complex cases in court remains however to be seen – although with enough investment in such technologies across a span of time, online or semi-integrated online courts for all levels of the court hierarchy may become a reality some day.