



Sloan Plumb Wood

SOLICITORS

Legal Update

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Introduction

Welcome to the Autumn edition of the Sloan Plumb Wood LLP legal update.



If you would like any advice or further information on any of the topics in this issue, or would like to suggest any subjects that you would like to see covered in future issues please get in touch with one of the following:

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The New Tribunal system – is it ‘Fee’sible?

As from 29 July this year a fee paying system was introduced into the Employment Tribunals. This is the first time since the Tribunals were introduced in the 1960s that a claimant must pay a fee to bring a claim.

The fees fall into two categories, type A claims and type B claims, and are payable in two stages. Common type A cases include statutory redundancy payments, unlawful deductions from wages and breach of contract. Common type B claims include unfair dismissal, discrimination and whistleblowing.

The first stage of the fee is payable at the commencement of the claim with the fee varying between £160 to £250 depending on what type of claim it is and a further fee is payable if the case proceeds to a hearing. The hearing fee varies from £230 to £950 again depending on whether it is a type A or B claim. The motive behind the new system is said to be to encourage simple, quicker and cheaper options to resolve disputes like mediation. A fee of £600 is payable by the respondent (employer) for judicial mediation regardless of what type of claim it is.

Full or partial fee remissions are available to individuals based upon three routes:

1. The claimant is in receipt of one of 5 qualifying benefits.
2. A claimant (to include their partner's income if they are a couple) has a gross annual income which is lower than an applicable threshold at the time when the fee is payable.
3. Partial remission may be available by reference to disposable monthly income where a claimant has not qualified for either of the other two routes.

There are mixed feelings over the introduction of fees to the tribunal system. From an employer's point of view the introduction of the fee system is welcomed as it is thought that it will discourage people from presenting speculative claims or just simply presenting a claim with the sole intention of becoming a nuisance to the employer.

However, the counter view is that this change is the government's latest attack on employment rights and that by putting up insurmountable financial hurdles normal working people will not be able to access justice.

One group particularly against the new fee system is the union Unite. Having already mounted their first legal challenge they have been given permission to seek judicial review of the fee system. This will take place in October. The HM Courts and Tribunal Service has said that it will issue refunds to claimants if the challenge is successful and the fee system is abolished. So, watch out for more news on this as and when it is reported.

Alongside our regular newsletter, we also post regular updates on our blog which can be found at www.spw-law.co.uk/blog. We write about lots of different issues which may affect your business and we welcome comments on them.

Also...SPW has taken to Twitter! Follow us @SloanPlumbWood

Supreme Court considers Appeal in case relating to Liability for Breach of Confidence post termination of Employment Contract

On 22 May 2013, the Supreme Court which is the highest Court in the United Kingdom, handed down Judgment in the *Vestergaard Frandsen -v- Sig & Others* case. The case concerns an appeal by Vestergaard in respect of Mrs Sig's liability for mis-use of their trade secrets after she no longer worked with them.

Mrs Sig was originally employed by Vestergaard in late 2000 as a sales and marketing assistant. Vestergaard manufactured and developed insecticidal bed nets which were developed to prevent the individual being bitten by mosquitos. Vestergaard developed various techniques to manufacture long lasting insecticidal nets. The information was contained in the "fence database". Pursuant to clause 8 of her Employment Contract, Mrs Sig agreed to *"keep absolutely confidential all information relating to the employment and any knowledge gained in the course of the employment and which inherently should not be disclosed to any third party. The absolute duty of confidentiality also applies after[she] has terminated the employment"*

In 2004 Mrs Sig started up a new business selling competing insecticidal nets with a colleague from Vestergaard. A further colleague assisted with the development of the insecticidal nets which they decided to call "Netprotect". In early 2004 Mrs Sig and one of the colleagues formed a Danish company with Mrs Sig as the sole Director. Vestergaard found out about this and issued proceedings in Denmark and alleged breach of their trade secrets. The Company subsequently ceased to trade. A new English Company, Bestnet Europe was formed and Mrs Sig was the sole Director of this Company as well. Vestergaard subsequently issued proceedings against Bestnet and Mrs Sig and her colleagues for mis-use of their confidential information. This was in 2007 and at this trial the Judge found that the contents of the fence database from which information about the techniques in developing the original insecticidal nets had been stored was confidential information and trade secrets owned by Vestergaard which was breached by the two colleagues. It was held that Mrs Sig did not have access to this database and she did not have any knowledge of the trade secrets, whilst she was in the employment of Vestergaard. However, at first instance she was held liable for breach of confidence as well. The Judge held: *"a person can be liable for breach of confidence even if he is not conscious of the fact that what he is doing amounts to misuse of confidential information"*.

A number of the issues in the first instance Judgment were appealed by the Defendants to the Court of Appeal and the first instance Judgment was upheld except for the Judge's conclusion that Mrs Sig was liable for breach of confidence. The Court of Appeal Judge decided that he did not consider there can be an implied term imposed in strict liability for breach of confidence in these circumstances. He held that there was no business reason to imply a term of that harsh extent. Vestergaard therefore appealed this decision which resulted in the present Judgment.

Vestergaard argued that Mrs Sig should be liable for breach of confidence on three separate grounds. Firstly they argued that because of clause 8 of their Employment Contract, Mrs Sig should be liable. The Judge found that the express provisions of clause 8 of her Employment Contract did not help Vestergaard as the information used by her colleagues to develop the Netprotect project was neither *"information relating to her employment"*, nor *"knowledge gained in the course of her employment"*. To the contrary, it was knowledge gained by one of her colleagues in the course of his work with Vestergaard. It could not be argued in the Judge's view that a term can properly be implied into Mrs Sig's Employment Contract in circumstances where she did not know the trade secrets and was unaware they were being misused in any event.

The second ground was that she was liable on the basis of a common design with her two colleagues. Again because she did not know the identity of the secrets being used and that they had even been used let alone misused, it is difficult to see how she can be liable for common design. The Court agreed with the argument that in order for a Defendant to be a party to a common design, it must share with the other parties to the design each of the features of the design which make it wrongful. Mrs Sig neither had the trade secrets nor knew they were being misused.

The final ground that Vestergaard argued was that she had "blind eye knowledge" of the fact her colleague was using trade secrets or basically that she had taken a risk that something like this would happen when she started up the new business with her colleagues. The Court did not agree with this argument either.

Supreme Court considers Appeal in case relating to Liability for Breach of Confidence post termination of Employment Contract ... continued

In conclusion, the Court held it would be inconsistent with maintaining a balance between protecting trade secrets and not unreasonably inhibiting competition in the market place to hold her liable for mis-use of the confidential information. She did not learn of any relevant trade secrets when she was employed by Vestergaard in her role and in any event did not appreciate that any such trade secrets were being used by her colleagues. The Appeal was therefore dismissed.

In summary therefore, the Courts found that an individual can ever only really be found liable for breach of confidential information or trade secrets if they knew that the information they were using was confidential. This will be an important factor in cases where employees leave and set up in competition.

High Court Decides Passing Off Case In The Rihanna v Topshop Dispute

On 31 July 2013 the High Court handed down Judgment in the case between *Robyn Rihanna Fenty and others v Arcadia Group Brands Limited (t/a Topshop)*.

The Claimant, or Rihanna as she is most famously known, brought an action against Topshop in March 2012. Topshop had begun selling a t shirt depicting an image of Rihanna . There was no question whether there was copyright infringement because Topshop had permission from the photographer, nor was there any claim of infringement of “image rights” as in England we do not have a freestanding right to protect an image. This case concerned passing off solely.

To succeed in a claim of passing off a Claimant must show:-

1. that they have goodwill and reputation amongst members of the public;
2. the conduct of the Defendant must be a misrepresentation i.e. a deception on the members of the public into buying the product because they think it is authorised by the Claimant;
3. the misrepresentation causes damage to the goodwill of the Claimant.

In deciding the case, the Judge considered earlier case law involving the Formula One driver, Eddie Irvine within which a distinction was drawn between “endorsement” and “merchandising”. The Court described “endorsement” as a statement to the public that the person endorsing the product is happy to be associated with it. However, merchandising is different in that members of the public would not necessarily presume that merchandising has been approved. For example by the actors of a film to which that merchandising is related.

It is also important to distinguish why someone might want to buy the product. Someone may want to buy a t shirt with Rihanna on it because they like the t shirt. They do not necessarily know or care whether it has been endorsed by her. In such cases, a claim of passing off would not succeed.

The Court heard evidence that Rihanna, through her various companies, operates a very large merchandising and endorsement operation. She has endorsement arrangements with Nike, Gillette, Clinique and LG Mobile. At various times she has been represented by different companies in respect of these commercial activities. She sells merchandise relating to her current world tour through a company called Live Nation. She had previously, in 2010 and 2011, authorised goods to be sold via one of her merchandising companies in Topman. In the music industry, products are sold alongside the various tours of the artist and the Court heard evidence that this type of merchandising can be distinguished from the products sold in High Street fashion. However, in the current market there was more of a cross-over in the products. The Court heard that Rihanna has marketed herself as a style icon and in the public’s mind there is an association between her and the world of fashion. This could be evidenced by the fact that in 2012 she entered into an agreement with River Island, another High Street fashion store, under which Rihanna designed and endorsed clothes to be sold through the River Island High Street stores and website. The Court agreed that in 2012 (at the relevant time when the t shirts were being sold by Topshop), Rihanna was, and currently still is, regarded as a style icon by relevant members of the public. The Court therefore found that Rihanna had sufficient goodwill to protect.

High Court Decides Passing Off Case in the Rihanna v Topshop Dispute – continued...

The Court then considered whether there had been a misrepresentation. Topshop argued that the product in question was a t shirt with a picture of Rihanna on it and customers wanted to buy it because they liked the product. The product is a high quality fashion garment and there was nothing on the t shirt to suggest that it was an item of official Rihanna merchandising. Rihanna's position was that the fact that the particular image which was used (i.e. an image associated with a particular album), coupled with the position of Topshop in the market meant that a real likelihood of confusion within the relevant market would take place, although Rihanna could not point to any actual confusion having taken place. In considering the particular circumstances of this case, the Court heard that Topshop had made considerable effort to emphasise connections between the store and well known people. For example, they had a long running arrangement with Kate Moss to design and model clothes for the store. The Court also heard evidence that in February 2012, shortly before the t shirts became available, Rihanna happened to shop in the Oxford Street flagship store of Topshop. The marketing team "tweeted" about this event which was obviously picked up on by many followers and subsequently the press. Topshop also ran a competition for its fans to win a personal shopping appointment with Rihanna in 2010.

A further factor was that the photograph on the t shirt was, in fact, taken during the shoot for Rihanna's single "We Found Love" from the 2011 "Talk That Talk" album. The video was filmed in a field in Ireland and received a lot of press in the UK because the farmer was not happy about the filming. The Court felt that many of Rihanna's fans would likely think that the image had come from that album or from promotional material from the "We Found Love" video. The Court held that the particular image may be thought to be part of a marketing campaign for that project by Rihanna's fans.

In conclusion, the Court held that there had been passing off by Topshop. It decided that the purchasers would think that given Topshop's links with famous people, and various links with Rihanna specifically, there is a likelihood that the people buying it would think that the t shirt had been authorised by her. Although there was no indication on the t shirt that it was authorised at all, the Judge decided that many people buying the t shirt would come to this conclusion because they would recognise the image as being a picture of Rihanna from her "Talk That Talk" album.

The Court went to lengths to emphasise that the sale of a t shirt with an image of a famous person is not necessarily in itself, an act of passing off, however in the particular circumstances of this case, when all the factors were considered, there was.

The important point to note from this case is that if you are thinking of producing products which may have a connection to a well known person, even if you have copyright clearance to do this, you need to consider the wider ramifications of the image you are using. There are ways of dealing with this and if you need any further assistance or advice in this area, please let us know.

Igloo Regeneration (GP) Limited And Others V Powell Williams Partnership [2013] EWHC 1859 – TCC Hands Down Indemnity Costs Order

The Technology and Construction Court (the TCC) on 24 June 2013 handed down Judgment in the case of *Igloo Regeneration GP Limited and others v Powell Williams Partnership*. This case is interesting in respect of the costs.

The Claimants accepted that because they lost the case they were responsible for the Defendant's costs, as this is the normal costs position. However, the Defendant argued it should be entitled to indemnity costs. There are two bases for the assessment of costs at the end of a hearing: standard basis and indemnity basis. With indemnity basis, the onus is on the paying party to show that the costs claimed are unreasonable. This means that the receiving party is more likely to obtain a higher recovery than on the standard basis. It is, therefore, advantageous to be awarded costs on an indemnity basis.

By way of background, the Judge felt that the Claimants had had an arguable case. That is to say he did not feel that the case was brought completely inappropriately or without merit. The facts of the case were that the Claimants argued that the Defendant had failed to exercise reasonable care and skill in carrying out their duties, and particularly whether the Defendant should have carried out a stress calculation during the surveying a reporting duties.

Igloo Regeneration (GP) Limited And Others v Powell Williams Partnership [2013] EWHC 1859 – continued

Various offers were made during August, September and October 2012 by both parties but settlement was not achieved. On 26 October 2012, the Claimants made a Without Prejudice Save as to Costs offer to accept a total sum of £729,500 plus costs. The trial of this matter was due to start in early November 2012 so substantial fees were incurring at this stage, including those of Counsel. This offer was lower than the Claimants' previous offer of £850,000 plus costs.

The Defendants did not accept this and on the following Tuesday, offered to settle the case for a sum of £664,750 plus costs. The Claimants rejected this ten minutes later. Three days later, the Defendant's Solicitor made an offer to settle the claim for £729,500 inclusive of interest plus the Claimants' reasonable costs. It will be noted that this was identical to the Claimants' offer of 26 October 2012 which had been rejected by the Defendant. The Claimants rejected the offer four days later.

The Claimants' final offer was to settle the case for £850,000 plus costs. The offer stated *"this is our client's final attempt to settle the matter. In the event that this offer is not accepted by the deadline set out above, our clients will simply proceed to trial. We also wish to make it clear that our clients would not be amenable to splitting the difference between this offer and your client's previous offer and any such counter offer by your clients on that basis would be rejected."*

The trial was due to start in Mid-November. For reasons which are not clear from the Judgment, the Judge adjourned the case, on its first day, and transferred the matter to the TCC for trial in early 2013.

Before adjourning the matter, the Judge expressed his concerns over the Claimants' written expert evidence. The Judge felt that there were statements by Mr Lovell (the Claimants' expert) which gave rise to certain difficulties for the Claimants' case. There was correspondence between the parties, stating that the Judge felt in light of concessions made by the expert, he had concerns about how the Claimants' claim could succeed. After the adjournment but before the trial started, Mr Lovell and the Defendant's expert produced a second joint Statement. The Judge hearing the trial held the view that Mr Lovell rode back from "a number of the concessions he had apparently made earlier on", which in his view, should have started a red light flashing in the Claimants' minds.

The Judge also had concern about the Claimants' case. For example, there were problems with the quantum expert evidence. The Judge stated that the Claimants and their professional advisors must have been aware of a real risk in the approach in that matters were being put forward by the quantum expert which were not justified.

The Claimants lost the case and therefore costs fell to be decided. The Defendant asked for indemnity costs. The Judge held that it was appropriate to award indemnity costs from shortly after the original trial was adjourned. He felt that up to that stage, matters had proceeded as normal to trial. After the case was adjourned, and presumably as a result of what the Judge had stated on the first day regarding his concerns over the expert evidence, the Claimants' expert was asked to reconsider what he had said but with little explanation as to the initial concessions. The Judge also stated that he took into account the negotiations in the September, October and November 2012. He felt that the parties had got close to settlement, but what the Judge found, in his words, "extraordinary", is that fact that the Claimants drew back from the brink of settling. He did not consider that anything had happened between the time the Claimants offered to settle for £729,500 plus costs and the offer made by the Defendants at exactly the same level. For the Claimants to then ask for £850,000, was a difficult position. He coupled this with the Judge's comments regarding the expert's evidence on day one of the adjourned trial and felt that there was no justification for going on with the case at that stage, or at least trying to settle. Therefore the Claimant was ordered to pay the Defendant's costs on the standard basis up to the Monday after the Hearing was adjourned, and indemnity costs thereafter.

The important thing to take from this case is that the Judge will have sight of any Without Prejudice Save as to Costs correspondence at the end of the trial and will consider the conduct of the parties. Parties always need to be alert to the fact that commercial settlement is often a sensible way to conclude matters. Parties also need to be aware that expert evidence can be important and careful thought is required when selecting experts.



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The articles within this newsletter are for general information purposes only and intended to raise your awareness of the issues covered. They are not a comprehensive report on all aspects of the law applicable to the topics referred to nor are they a substitute for specific legal advice.

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