WILLIAM FRY

Legal News

Welcome to the March issue of Legal News. For further information on any of the topics covered in this edition, please call or email any of the key contacts or your usual William Fry contact person.

Starbucks Grinds Out Victory To Keep On Rocking

The General Court of the European Union (the "General Court") recently ruled in favour of Starbucks, stating that the European Union Intellectual Property Office (EUIPO) must do a global assessment of similarity between the Starbucks and Coffee Rocks logos.

The famous Starbucks logo is two concentric circles with a black and white image of a mermaid in the first circle and the words "Starbucks Coffee" written around this in white on a green background, with two stars separating the words. The Coffee Rocks Logo also consists of two concentric circles with the inner circle containing an image of a minim formed with a coffee bean at the bottom of the stem, the words "Coffee Rocks" are written around this with two smaller versions of the minim in between the words.

Previously the EUIPO had ruled that the marks were *"dissimilar from a visual view point"* and completely differed in their distinctive and dominant elements – the image of a mermaid in contrast to the image of a coffee bean quaver. Therefore it was not necessary to assess the likelihood of confusion between the marks. Annulling this decision, the General Court ruled that the marks general appearance was similar, as they are both circular and consisted of a central image within a second circle surrounded by writing. The General Court went on to highlight *"three sets of visual similarities":*

1. The use of black and white colouring for a central image.
2. The use of the same font for "STARBUCKS" and "COFFEE ROCKS".
3. Both marks contain the word 'coffee'.

Furthermore the General Court noted the phonetic similarity between 'rocks' and 'Starbucks'.

Although the General Court did accept that *"there are a number of differences between the signs"*, notably the use of a mermaid in contrast to a musical note, these differences do not mean that the previously mentioned similarities are negligible. Therefore, the EUIPO *"having erred in ruling out any similarity – even a low degree of similarity – between the marks, erred in not carrying out an overall assessment of the likelihood of confusion".*

It is important to note that the General Court was not ruling that the "COFFEE ROCKS" mark was too similar to be registered. Rather, the focus was on the procedure to be followed by the EUIPO and it may still be ruled that there is no likelihood of confusion between the marks. The initial test done by the

EUIPO focused on the several differences between the marks and stated that due to these differences there was no likelihood of confusion. This case clarifies further that in assessing the similarity of marks, one must focus on the similarities between marks as a whole and carry out a global assessment of the likelihood of confusion.

Contributed by Leo Moore.

New Meaning of "External Company" Under the Companies Act

The Minister for Business, Enterprise and Innovation has made the Companies (Accounting) Act 2017 (Commencement) Order 2018. This order appoints 9 June 2018 as the day on which section 80 of the Companies (Accounting) Act 2017 (the "2017 Act") comes into operation.

Definition of external company – the current position

Section 1300(1) of the Companies Act 2014 (the "2014 Act") defines an 'external company' as 'an EEA company or a non-EEA company'.

'EEA company' is defined as a body corporate whose members' liability is limited, which is incorporated in an EEA state.

'Non-EEA company' is defined as a body corporate whose members' liability is limited, which is incorporated in a state that is not an EEA state.

Therefore a company is required to have limited liability in order to fall within the current definition of an external company.

Definition of external company – the new position

Section 80 of the 2017 Act substitutes new definitions into section 1300(1) of the 2014 Act for 'EEA company' and 'Non-EEA company'. Under the new Section 1300(1), the definitions of 'EEA company' and 'Non EEA company' are broadened and will also include undertakings whose members' liability is unlimited, and which is a subsidiary undertaking of a body corporate whose members' liability is limited.

Impact of new definition

Prior to this amendment, under Part 21 of the 2014 Act, only foreign body corporates with limited liability with a branch established in Ireland must register certain details with the Companies Registration Office (CRO) and file financial statements annually.

With effect from 9 June 2018, foreign body corporates, including undertakings (partnerships and unincorporated bodies) with unlimited liability with a branch in Ireland, will fall within the definition of external companies. Therefore, where a body corporate or undertaking falls within the new definition of external company and has a branch in Ireland, it will be obliged to register details with the CRO and file financial statements annually.

Contributed by Gail Nohilly.

New Guidelines on Binding Corporate Rules Under the GDPR

In order to facilitate the use of Binding Corporate Rules (BCRs) for international transfers of personal data to entities outside of the EU, the Article 29 Working Party (WP29) has issued two new sets of Guidelines on BCRs under the GDPR. The documents respectively address controller-BCRs and processor-BCRs.

BCRs are sets of rules that enable undertakings, or a group of enterprises engaged in a joint economic activity, to jointly sign up to common data processing standards that are compatible with EU data protection law. Personal data can then be transferred from organisations within the EU to their affiliates outside of the EU.

Controller-BCRs are suitable for framing transfers of personal data from controllers established in the EU to controllers or to processors established outside the EU who are within the same group.

Processor-BCRs are suitable for framing transfers of personal data from processors established in the EU to sub-processors established outside the EU who are within the same group.

Tables

The documents include tables setting out the elements and principles to be included in controller- and processor-BCRs. These tables:

- Clarify the content that must be included in BCRs under the GDPR;
- Distinguish between what must be included in BCRs and what must be presented in the application to have BCRs approved by the competent supervisory authority; and
- Provide guidance and comments on each of the requirements.

New Requirements

Both documents draw attention to the following new elements which must be specified in BCRs in order to comply with the GDPR:

- **Structure**: BCRs must specify the structure of the group and the contact details of its members.
- **Scope of application:** BCRs must specify their material scope by outlining the transfers or set of transfers to which they will apply, including the categories of personal data, the type of processing involved and its purposes, the types of data subjects affected and identification of the recipients in the third country or countries.
- **Data subject rights:** BCRs must specify data subject rights and how they can be exercised, particularly the right to lodge a complaint with the competent supervisory authority or before the competent court.

New elements which must be taken into account as regards controller-BCRs include:

- **Transparency**: All data subjects benefitting from third party beneficiary rights should be provided with the information stipulated by the GDPR, in particular on their rights in relation to processing, the means of exercising those rights, the liability clause and the clauses relating to the data protection principles.
- **Data protection principles:** Controller-BCRs should explain not only the principles of transparency, fairness, purpose limitation, data quality and security, but also, in particular, the principles of lawfulness, data minimisation and storage period limitation, as well as providing guarantees as regards processing special categories of personal data and the requirements in respect of onward transfers to bodies not bound by the BCRs.
- **Accountability**: Every entity acting as a data controller shall be responsible for, and must be able to demonstrate compliance with, the BCRs.

New elements which must be taken into account as regards processor-BCRs include:

- **Third party beneficiary rights**: Data subjects should be able to enforce BCRs as third party beneficiaries directly against the processor where the obligations in question are specifically addressed to processors under the GDPR.
- **Data protection principles:** Processor-BCRs should explain how requirements such as those in relation to data subjects' rights, sub-processing and onward transfers to entities not bound by the BCRs will be observed by the processor.
- **Accountability**: There will be an obligation on processors to provide all information necessary to demonstrate compliance with their obligations, including through audits and inspections conducted by the controller or an auditor appointed by the controller.
- **Service Agreement:** Any contract that is binding on the processor with regard to the controller must be implemented between the controller and the processor, and must contain all of the elements required by Article 28 GDPR.

Amending existing BCRs

Under Article 46(5) GDPR, existing BCR authorisations will remain valid until amended, replaced or repealed by the supervisory authority who made them. Nevertheless, WP29 advises group entities with approved BCRs to bring them in line with the GDPR ahead of its coming into force on 25 May 2018. After this date, all such entities should notify any relevant changes to their BCRs to all other entities in the group and to the lead supervisory authority, as part of their annual update.

Comments

These new Guidelines will provide useful assistance for any organisation applying for authorisation of BCRs by providing an authoritative point of reference. The Guidelines also reiterate for organisations which already have approved BCRs in place the importance of updating these to comply with the GDPR.

Contributed by Leo Moore.

Is the Restriction on Athlete Advertising During Olympic Games an Abuse of a Dominant Position?

The Bundeskartellamt, the German competition authority, recently brought administrative proceedings against the International Olympic Council (IOC) and the German National Olympic Committee (DOSB) for undermining competition and abusing their dominant position by restricting athletes from participating in advertising during the Olympic Games. In particular, the Bundeskartellamt noted that athletes do not benefit directly from the 'very high' advertising revenues generated by the official Olympic Games sponsors.

Rule 40 of the Olympic Charter prohibits an athlete's person, name, picture or sports performance from being used for advertising purposes during the Olympic Games. The rationale for this rule is said to protect the brand of the official sponsors, which use advertising to associate their brand with the Olympic Games. It is also designed to prevent 'ambush-marketing' by brands which are not official sponsors but which seek to capitalise on the public interest in the Olympic Games.

The advertising restriction applied for the duration of the Winter Olympics in Pyeongchang and remained in place until 28 February 2018. An athlete competing in the Winter Olympics could have applied to their National Olympic Committee (NOC), such as DOSB in Germany or the Olympic Council of Ireland (OCI) in Ireland, beforehand for permission to run advertising during the Winter Olympics.

DOSB guidelines on Rule 40 provided that only promotional activities that began at least three months before the start of the Winter Olympics and did not contain well-defined Olympic related terms could be approved. Following submissions by the IOC and DOSB, the Bundeskartellamt approved new provisional rules (Provisional Rules) for use at the Winter Olympics in Pyeongchang which allowed for generic advertising, including greeting and congratulatory messages from sponsors to athletes during the Winter Olympics and also allowed athletes to share or re-tweet official IOC content and link it with greetings or acknowledgements from sponsors.

Section 5 of the Irish Competition Act 2002 (as amended) prohibits the abuse by one or more undertakings of a dominant position. In light of the position reached by DOSB in Germany it remains to be seen if the Irish Competition and Consumer Protection Commission will consider Rule 40 of the Olympic Charter with regard to Irish athletes in advance of the Tokyo 2020 Olympic Games.

Contributed by Patrick Murphy.

Warranty Claim Fails Following Improper Notification

A recent UK Court of Appeal case, *Teoco UK Limited v Aircom Jersey 4 Limited, Aircom Global Operations Limited* [2018] EWCA Civ 23, provides a cautionary warning to purchasers seeking to claim under the provisions of a share purchase agreement ("SPA").

The Court held that the purchaser's purported notice of claim failed as it did not identify the particular warranties in the SPA alleged to have been breached.

Background

Teoco (the Purchaser) acquired Aircom International Limited under an SPA dated November 2013, which contained a schedule of warranties and a tax indemnity.

A significant tax liability of two of the subsidiaries within the Aircom group was discovered post acquisition. The purchaser notified the sellers of these claims under the SPA in letters sent in February and June of 2015. In August 2015 the purchaser issued proceedings in respect of the tax liabilities.

The sellers applied to strike out the claim on the basis of non-compliance with the SPA's provisions regarding notification of claims.

The sellers' application was successful in the UK High Court and the purchaser appealed this decision to the UK Court of Appeal.

Notice Provisions

The SPA provided that the sellers would not be liable for any claim unless the purchaser had given notice *"…setting out reasonable details of the Claim (including the grounds on which it is based and the Purchaser's good faith estimate of the amount of the Claim….)."*

The letters the purchaser sent in February and June 2015 provided certain details of how the claims arose and the possible amount of the claim. However, they were held not to satisfy the notification provisions of the SPA as they did not set out *"the grounds of the Claim"* due to no reference in the letters to the particular warranties being relied upon or the basis for the trigger of the tax covenant. The purchaser also reserved its position as to whether it was claiming under the warranties or the tax indemnity.

Court of Appeal

Before the Court of Appeal, the purchaser argued that there was no general principle that particular warranties had to be referenced where a notification clause in an SPA requires details to be given of a claim.

The Court considered relevant case law which held that purchasers should provide sellers with the legal basis for a warranty claim. The Court also highlighted the importance of providing sellers with certainty so that they are clearly informed about the particulars of a complaint. The Court endorsed the view of the High Court judge that an *"omnibus reference to Warranty Claims or Tax Claims…..was not good enough".*

The Court took the view that the purchaser's rationale for not referencing specific warranties or other provisions of the SPA was clearly to keep its options open when taking a claim. However, by reserving its position, the purchaser left the sellers in real doubt about which provisions of the SPA it thought to be relevant.

The Court of Appeal affirmed the High Court's decision to strike out the claim.

The case underlines the importance of strict compliance with notice provisions when notifying claims for breach of warranties or indemnities and serves as a reminder to pay close attention to such provisions when negotiating the terms of an SPA or similar transaction document.

For further information, please contact Laura Dunne, Brendan Cahill or your usual William Fry contact.

Contributed by Paul McNamara.

What's New in Equality Law for 2018?

The Employment Equality Acts 1998-2015 ("the EEA") and the Equal Status Acts 2000-2015 ("the ESA"), provide for protection against nine grounds of discrimination: gender, civil status, family status, sexual orientation, religion, age, disability, race and membership of the travelling community.

In 2017 two private members' Bills were proposed which seek to amend the EEA and the ESA to introduce two new grounds of discrimination, a socio-economic ground and a mental health ground.

Also of note, in the UK, a recent case recommended that employers should update equality and harassment policies and procedures to include reference to transgender discrimination.

Proposed Socio-Economic Ground

The Equality (Miscellaneous Provisions) Bill 2017 seeks to prohibit discrimination on the basis of a person's social and economic background. This Bill seeks to amend the EEA and the ESA by inserting a new ground for discrimination based on 'disadvantaged socio-economic status', referred to as "the socio-economic ground". According to this Bill, 'disadvantaged socio-economic status' means a 'socially identifiable status of social or economic disadvantage resulting from poverty, level or source of income, homelessness, place of residence or family background'.

The explanatory memorandum states that the purpose of the proposed amendments is to ensure that persons can no longer be discriminated against on the basis that they come from a disadvantaged background, such as a 'local authority estate or an area that is associated with higher levels of criminality or anti-social behaviour'. Further, it would not be possible for service providers to discriminate against people based on where they live. Discrimination on socio-economic grounds is not currently covered by legislation. A European Commission report shows that legislation in 20 out of 35 European countries provides protection against discrimination on a ground related to socio-economic status. A proponent of this Bill argues that many of his constituents have informed him that they purposefully exclude their address when applying for a job, as communicating their address would deter potential employers.

Proposed Mental Health Ground

This proposed ground of discrimination is set out in the Equality (Miscellaneous Provisions) (No.2) Bill 2017. This Bill proposes to prohibit discrimination on the basis of a person's 'mental health status' which is defined as meaning 'emotional, psychological and social wellbeing'. This proposal would insert an additional discriminatory ground based on mental health status referred to as 'the mental health ground'.

The EEA and ESA currently provide for discrimination on the ground of mental health, as it comes within the definition of disability. In the explanatory memorandum to this Bill it is argued, however, that the current definition of mental illness in the EEA and ESA is a 'restricted medical definition', and that the Bill 'aims to place mental health status within equality legislation on a human rights basis as opposed to the more restrictive medical basis'.

While the new proposals under the two Bills are at early stages, it is evident the discussion around grounds of discrimination continues to evolve.

Transgender Discrimination

The UK Employment Tribunal decision in *Miss A de Souza E Souza v Primark Stores Ltd 2206063/2017*, provides an interesting insight into the treatment of transgender discrimination claims. Gender reassignment is a 'protected characteristic' under the UK Equality Act 2010. In this case it was found that the claimant's constructive dismissal was direct gender reassignment discrimination after the respondent subjected the claimant to harassment related to gender reassignment. The harassment included a supervisor informing another staff member that the claimant was transgender, continuously calling the claimant by her male name, and staff members calling the claimant a 'joke' and saying in

front of customers that 'she is evil'. Damages of £47,433 were awarded. The Employment Tribunal made a number of recommendations for the respondent to implement including:

- to adopt a written policy regarding how to deal with new or existing staff who are transgender (including the preservation of confidentiality)
- to provide training in relation to transgender discrimination and on handling grievances
- to ensure that transgender discrimination and harassment is referred to in all equality and harassment policies.

This case is in line with the European Court of Justice (ECJ) case of *P v S and Cornwall County Council (1996)*. In this case, the ECJ found that gender discrimination is not confined to discrimination based on the fact that a person is of one or other sex, but also to discrimination arising from the gender reassignment of the person concerned.

Due to the supremacy of EU law, the definition of gender discrimination in the EEA and the ESA must therefore include discrimination on the grounds of gender reassignment. In Ireland, the matter of transgender discrimination was considered in *Hannon v First Direct Logistics DEC-E2011-066*. In this case, the Equality Tribunal found that the requirement of a transgender person to switch between male and female identities whenever the company deemed necessary constituted discrimination on the gender ground. The Equality Tribunal made reference to *P v S and Cornwall County Council* in its decision.

As it appears that gender reassignment comes under gender discrimination in Ireland, it would be prudent for employers to take note of the Employment Tribunal's recommendations in order to ensure equality and harassment policies are robust.

Contributed by Emma Lavin.

ESMA Clarifies Application of the Benchmarks Regulation to Investment Funds

ESMA has issued a second Q&A on the Benchmarks Regulation (BMR) in less than two months that will be of interest to investment funds. The Q&A published on 5 February 2018 confirms that the BMR does not apply to funds that reference indices in their documentation solely to compare the fund's performance to the performance of an index. This is not an unexpected interpretation of the BMR provisions, but the clarification is nonetheless welcome in that it gives further comfort to fund managers that BMR does not apply if indices are used by funds only for comparison purposes (for example, in a prospectus or promotional literature). Such funds are therefore spared from having to comply with provisions of BMR applying to users of benchmarks. These provisions would include putting in place "robust written plans" if the relevant benchmark materially changes or ceases to exist and reflecting those plans in contractual relationships with clients.

BMR has been in force since 1 January 2018. While it mainly regulates index providers, BMR has also created certain obligations on funds that use benchmarks for tracking the return of an index, defining the asset allocation of a portfolio, or computing performance fees.

ESMA's February 2018 Q&A also discussed the use of indices for the purposes of tracking their return and defining the asset allocation of a fund's portfolio.

ESMA has clarified that, in addition to index tracking funds, structured funds that provide investors with algorithm-based pay-outs linked to an index are also considered to be using an index within the meaning of BMR.

Finally, ESMA's February 2018 Q&A provides that funds, including actively managed funds, fall within the scope of BMR as users of benchmarks if the composition of a fund's portfolio is constrained by reference to an index.

ESMA's clarifications in the previous update to the Q&A published on 14 December 2017 dealing with transitional provisions of the BMR are also relevant to investment funds and can be summarised as follows:

- An EU index provider providing a benchmark prior to 1 July 2016 has until 1 January 2020 to apply for authorisation / registration. It may continue to provide existing and new benchmarks during this period and until the authorisation / registration is refused.
- An EU index provider starting to provide a benchmark between 1 July 2016 and 31 December 2017 may continue to provide benchmarks existing on or before 1 January 2018 until 1 January 2020 and until the authorisation / registration is refused. Benchmarks provided after 1 January 2018 for the first time cannot be used by regulated entities such as investment funds unless the index provider obtains authorisation / registration.
- Benchmarks provided by non-EU index providers used in the EU prior to 1 January 2020 may continue to be used on the basis of transitional provisions pending an equivalence decision in respect of a third country regulatory regime, recognition of a third country administrator or an endorsement of a third country benchmark.

These transitional provisions produced a somewhat counterintuitive result in that EU index providers established on or after 1 July 2016 are unable to provide benchmarks usable by funds unless the index providers get authorised / registered while no such restriction is placed on non-EU index providers established after that date. However, the main take-away for investment funds from the Q&A on transitional provisions is that, unless the benchmark in question is provided by an EU index provider established on or after 1 July 2016, existing and new benchmarks produced by EU and non-EU index providers can be used until at least 1 January 2020.

Contributed by Sergey Dolomanov.

Provider Beware! Bankruptcy Payment Order May Be Required to Pay a Bankrupt's Pension to Official Assignee

Costello J in the High Court recently gave judgment in the case of *In re James Coady (a Former Bankrupt)* [2017] IEHC 653. In this case the Official Assignee ("OA") had sought directions in respect of what rights could vest in the OA from the bankrupt's pre-retirement personal pension policy (the "PP"). The bankrupt had reached normal retirement age under the PP after he was adjudicated bankrupt but before he was discharged from bankruptcy. The bankrupt was not entitled to income from the PP but had a number of contractual retirement options to exercise which he had not yet selected The key issue for the Court to consider was whether the OA could have recourse to the bankrupt's pension, automatically or alternatively by way of court order.

Automatic vesting in OA?

Costello J considered Section 44A of the Bankruptcy Act 1988 in detail and concluded:

- Payments received or payments which a bankrupt was entitled to receive at the date of adjudication under a relevant pension arrangement vest in the OA;
- The underlying assets relating to the relevant pension arrangement do not automatically vest in the OA;
- If a bankrupt has an entitlement to perform an act or exercise an option under the relevant pension arrangement, the OA may perform the act or exercise the option in place of the bankrupt (in accordance with tax legislation);
- If the act or option would cause the bankrupt to receive an income the bankrupt is considered to be in receipt of the income. If the act or option would cause the bankrupt to receive an amount of money other than income, the lump sum vests in the OA.
- As the bankrupt in this case had not exercised his options under the PP, it was open to the OA to exercise one of the options pursuant to Section 44A (if he considered that to do so would be beneficial to the creditors).

Bankruptcy payment order required

The PP provider argued that a bankruptcy order was required to have income paid directly to the OA. Costello J confirmed that Section 85D of the Bankruptcy Act 1988 did contemplate an order of the court directing a person from whom the bankrupt is entitled to receive the pension or payment. Therefore the OA required an order under Section 85D in this instance before the provider could pay sums due directly to the OA. Costello J found that to construe Section 85D any differently would be inconsistent with Section 44A(1) which did not automatically vest the right to the payment in the OA and would be by-passing Revenue rules.

Comment

This case confirms that where a bankrupt has an option under a personal pension policy to an annuity, the OA can access this by obtaining a bankruptcy order under Section 85D. For an occupational pension scheme, were a member to enter into bankruptcy, section 36 of the Pensions Act 1990 will apply. Section 36(2) would allow the trustees of a scheme to use their discretion to forfeit a member's benefit and pay it to an OA (only where the trust deed and rules allows for such forfeiture).

Contributed by Jane Barrett & Liam Connellan.

ECJ Rejects Attempt by Schrems to Bring Class Action in Austria

The European Court of Justice has ruled against Max Schrems in his attempt to consolidate an EU-wide consumer class action against Facebook Ireland before the Austrian courts.

Mr. Schrems had sought to bring a class action in the Austrian courts against Facebook Ireland for alleged data breaches to him and some 25,000 other users of Facebook. The Austrian courts referred a question to the European Court of Justice ("ECJ") seeking clarification on whether such a class action could be heard in Austria given that the majority of individuals involved were not based there.

Under consumer law, a consumer is entitled to bring an action against a company in the country that the consumer is domiciled. Generally, when consumers are not involved, any breaches of a contract involving companies would be heard in a competent court where the company is established.

Mr. Schrems maintained that he, as an Austrian consumer, could bring a class action against Facebook Ireland in Austria and was entitled to represent the many other consumers who had assigned their rights to him.

The ECJ ruled that while Mr. Schrems is entitled to bring an action against Facebook Ireland in Austria, he cannot represent other consumers in a class action. The ECJ also dismissed Facebook Ireland's claim that they could only be sued in Ireland as this is where their international headquarters is located. The court clarified that consumers can sue in their own country should they wish to litigate any issues they have against a company.

It is interesting to note that if this situation were to be revisited after 25 May 2018, when the new regime under the General Data Protection Regulation ("GDPR") comes into force, such a right to bring a class action may be available. Consumers will soon have the right, subject to certain conditions, to mandate a third party to act on their behalf.

The upcoming GDPR is set to overhaul existing data protection laws for consumers. In order to assist clients in getting to understand GDPR better and how it might affect them, our Technology Team has made many GDPR resources available on our dedicated GDPR site, PrivacySource, which can be accessed here.

Contributed by David Cullen.

