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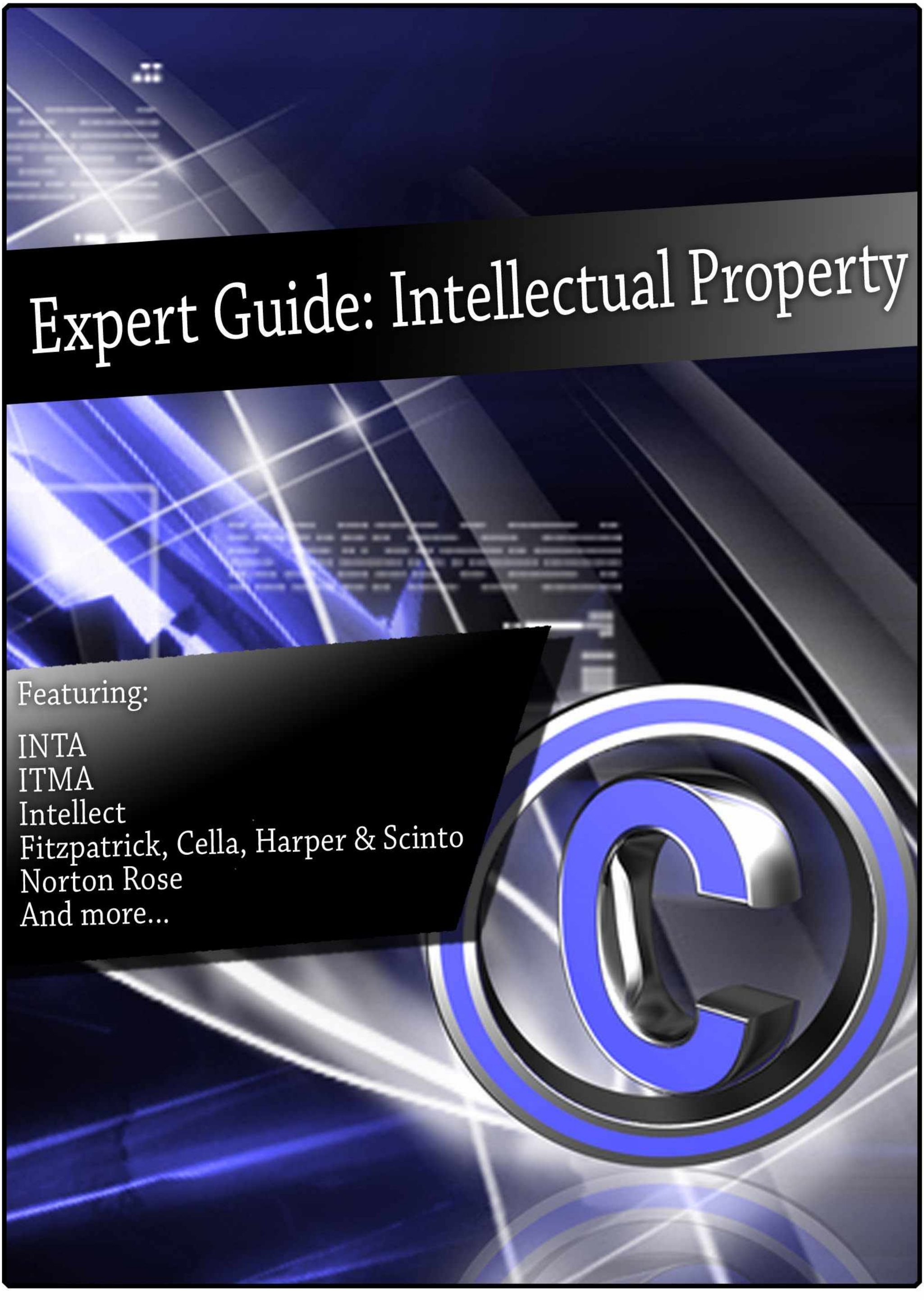

Expert Guide: Intellectual Property

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Introduction

By Jake Powers

You will rarely be able to discuss the world of Intellectual Property and not have some major developments to discuss. As 2011 comes to an end, this year has been no different. We have witnessed some expected legislative changes as well as a number of high profile litigation cases which have stolen the headlines.

The most valuable components of a successful business will for forever be debated, what is certain is the importance of protecting innovation. Whilst we benefit from our technological advancements becoming greater and more sophisticated, such a speedy emergence of progression delivers an increased complexity of problems. The overwhelming dominance of the internet and social media in today's business world fires a wave of opportunities and risks into a system which was not built to cope with the environment that we are not operating in.

Britain has now announced a major overhaul of IP legislation. UK ministers had long been under immense pressure from businesses emphasising the outdated nature of the UK IP system and the drastic need to seriously update law in order to reflect what we have experienced over the last decade.

These announcements followed the release and discussion of the Hargreaves Report, which gave specific recommendations about how the IP legal system should be amended. We now know that the Government will introduce all of the recommendations through a series of reforms.

The most significant changes include the protection of data mining and the legalisation of pirate copying, as well as changing rules around piracy blocking. In the middle of 2011 the US approved the Patent Reform Bill. Changes are expected to come into place in 2012 and will signal a change in the way patent ownership is perceived. Currently the patent belongs to the individual or company who claim to have invented a product/service first but from next year it will all depend upon who actually files for the patent first.

Arguably the biggest development this year was one that had been expected for some time. For a considerable period we have been discussing the prospect of having an infinite range of domain suffixes, we are now tiptoeing on the edge of this being a reality. Very soon a web address will end in almost anything the owner sees as a good marketing tool.

Although some are already suggesting this introduction is likely to throw more problems at the business and legal world than interesting evolutions it is likely to produce. In addition, the costs associated with these new creations will likely put all but the privileged global elite off entering the market for a change of online address.

The IP related litigation activity of 2011 has not for the first time centred most prominently on the TMT sector. HTC had been found guilty of infringing two patents belonging to Apple but have promised to appeal the US ruling.

Microsoft infamously was faced with the $290m bill as a result of the US verdict on them infringing on the patent rights of a little-known Canadian firm. The computing giant were however denied an appeal by the US Supreme Court. One of the most talked about cases of the year has been the battle between Apple and Samsung over the Galaxy tablet. In August Apple received an injunction which prevented its competitor selling the product across the EU. The case focussed around Samsung infringing on the design rights of the Apple iPad product.

Looking into 2012, we can expect to see a diplomatic conference to agree an international treaty on the rights of individuals in their audiovisual performances. Currently performers do not have control over how and when their performances are used abroad, nor any legal right to any payment.

Experts claim that performers in the audiovisual industry are completely unclear of their rights for international use of their material and they need protecting against unauthorized use of those performances in television, film and video. Reforms next year are expected to change this and grant those concerned with an entitlement to approve any use of content they are involved in and be able to charge for the privilege.

We have been waiting for some time to see such changes come close to implementation. The delay has been mainly down to problems associated with differences between national laws. However meetings in Geneva this year led to a compromise on the wording of the agreement therefore allowing the flexibility required to conclude a treaty.

The need for the timely implementation of reforms has been heightened by the fact that many other performers in the industry had already had measures introduced many years ago.

As long ago as 1996 saw the adoption of the WIPO Performances and Phonograms Treaty (WPPT) updating the protection for artists in respect of sound performances.

As another year passes with contentious development in every area of IP, 2012 is set up to be another period of developments which are sure to keep us fascinated.

Snapshot – Internet Intellectual Property developments in 2011

January
Alexey Kistenev, owner of TorrentReactor uses his own IP right to win a domain dispute by proving his company had trademark rights in Torrentreactor.

February
US Immigration and Customs Enforcement (ICE) seizes a number of sites that allegedly facilitate online piracy of sports matches.

March
The Icann Board finally approves the application for domain names with .xxx after seven years of deliberation.

The first quarter of 2011 saw more than 209.8 million domain names registered a growth of 2.2% on last year.

April
The FBI and the US Attorney for the Southern District of New York seizes the domains of three online poker companies and charges them with bank fraud, wired fraud, money laundering and illegal gambling. The event comes to be known as "Black Friday" among the poker community.

May
Andrew Crossley, owner of ACS Law is fined £1,000 by the UK's Information Commissioner's Office (ICO) for failing to keep sensitive personal information on 6,000 people secure.

June
Steve Crocker voted in as the new Chair of Icaan's board.

July
The Court of Appeal in London upholds a ruling that headlines and web links that are taken from newspapers websites are protected by copyright.

August
US Immigration and Customs Enforcement (ICE) seizes 16 domains selling counterfeit goods and makes one arrest.

September
It's announced that almost 9,000 .eu domains will become available for registration after they were seized from a Chinese cybersquatter.

October
Domain name Gay.xxx is sold for $500,000 making it the most expensive domain name ever in a pre-launch sale.

November
Fifty artists led by billionaire Alki David sue CBS Interactive and CNET for facilitating "massive copyright infringement in naked pursuit of profits".

Managing Domain Names

By Maggie Ramage

The Institute of Trade Mark Attorneys

Domain name registration and maintenance is an area of law that has grown very quickly- perhaps too quickly for owners of domain name registrations to really think through domain name management. All too often, companies have little or no cohesive strategy for domain name ownership, management or renewal.

A domain name management strategy is essential. A company should know who its domain name registrar is, by whom and how its domain names are being renewed, where they point, and indeed in whose name they have been registered.

It is particularly important when a company acquires assets, perhaps through a merger or acquisition, to ensure the relevant domain name is transferred at the same time. Also, many licensees will argue that because the domain name has been registered for use in their country, that they should own it.

Generally speaking, there is nothing to prevent the trademark owner from owning (being the 'registrant' of) the domain name, which can then be pointed to whichever website is deemed best. This avoids expensive litigation if the licensee does not want to give up the domain name on termination of the licence.

It is also worth considering implementing a domain name watch, for example, on a monthly basis. This can prove invaluable to understanding who else is out there and possibly active with the same or similar domain names. It also enables you to start speedy proceedings to recover domain names that have been registered in contravention of pre-established rights.

There are a number of questions to consider when developing a domain name management strategy:

- Why is the domain wanted?
- What is it actually used for?
- Is it necessary?

  - Consider here whether it is necessary to have local "country code Top Level Domains" (ccTLDs) as well as "generic Top Level Domains (gTLDs such as .com).

- Is it more relevant for the domain name to be based on a relevant trademark or a descriptive element?

  - Consider here what is to be achieved; is a brand being developed or a generic product offered for sale. Also, although proceedings may be brought in respect of a competing domain name that copies an established trade mark, this may not be possible in respect of one that is based on a descriptive or generic term.

- How many domain names are actually owned, what are they and in whose name they are registered?

  - Consider how many people are allowed to register domain names or is it the tasked responsibility of one person, and what policy exists to dictate who shall be listed as registrant. It is all too common for the person handling the registration to give their own name as registrant. It is equally common for a licensee or distributor to be allowed to register in its own name under the false perception this is necessary or the simplest solution.

- By whom are the domains managed, and who decides which should be registered, or should (or should not) be renewed?

  -Consider whether there are sufficient issues to warrant concentrating management in the hands of a professional management firm, especially if this is able to provide added value (for example in the field of domain name recovery). Consider also opting for automatic renewal of domain names. My own firm automatically renews all domain names for which we are responsible, unless specifically instructed to cancel them; it is cheaper to refund a renewal fee inadvertently paid than to try to recover a lost domain name.

- Who is actually responsible for working out what to do with those domains and the locations they should point to?

- Indeed, do you know where all your domain names point?

  - Registrars and hosting companies often point domain names for which they have received no firm instructions to advertising sites, from which they collect the revenue. Case law makes it clear that in the event of a dispute over the domain name, the registrant is deemed responsible for any misuse of the domain name even when unaware of it.

It is imperative to have a clearly defined policy made known to all employees covering 1) precisely which employee or employees may (a) request and (b) authorise registration of a domain name and 2) clearly specifying who will be named as (i) registrant and (ii) technical contact and (iii) administrative contact and 3) identifying through which registrar or domain name management company any domain will be registered. Conduct a thorough audit of all domain names you may own (either directly or indirectly in the name of an employee, distributor or licensee) and ensure that they are all transferred to your chosen registrant. It should be made clear to all concerned that they are not permitted to register domain names in their own names, not least because if there is a clear written policy it will be easier to identify breaches of that policy when arguing that a domain name may have been registered in bad faith (a necessary condition of many established recovery procedures, discussed below).

Employees frequently register domain names on line and identify themselves as registrant or as technical or administrative contact. If that employee leaves, then in the case of a employee who is named as registrant you may face an uphill struggle to recover the domain name, in the case of an employee named as Administrative contact, emails from the registry will not be received, if a private personal email address has been given or if the employee's in-house email is closed down, with the risk that the domain may not be renewed.

Senior management must dictate and preserve any passwords used because that may be crucial to recovery, in the event the employee does leave and refuses to co-operate. Any licence concerning the use of the IP, should include a clause to ensure that domain names cannot be registered by the licensee, so that if any domain name is registered by the licensee there can be no question that bad faith was involved (a crucial element in domain name recovery).

The Institute of Trade Mark Attorneys

Best practice is never to allow a licensee to actually own a domain name, even in a local geographic territory. Domain names can be pointed to any web site, whether or not owned by the domain registrant. Even if there are regulations that registrants must have local domicile, it is usually possible to use a local professional contact (such as a well-established trade mark attorney) to hold a domain name on behalf of a company.

Most, but not all, domain name registries offer an Alternative Dispute Resolution (ADR) policy (the best known of which is ICANN's UDRP). Nominet, the UK registry, offers its own brand of ADR as do Eurid who run the European Domain Name Registry.

Unfortunately not all registries do offer ADR, and there are key differences in these procedures, so do not assume that all domain names can be recovered by UDRP.

Sometimes there can be no alternative to litigation in the courts and indeed, to recognise when there is no option but to buy a domain name; for example if ADR is not available or litigation will be prohibitively expensive, or if there is no justifiable complaint that can be brought against the registrant.

It is definitely worth keeping a close eye on developments in the domain name world, which is very fast-moving compared to trademark registrations and is becoming increasingly important with the expanding use of the Internet as the main method of trading commercially.

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Maggie has worked for the Californian-based Raychem Corporation, and was seconded to San Francisco in 1987.

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Maggie became a partner in Surrey based Alexander Ramage Associates in 1991, and has been active on ITMA Council for the last nine years.

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Update on Proposals for a European Patent with unitary effect and a Unified Patent Court system

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REPRESENTING THE UK TECHNOLOGY INDUSTRY

By Jennifer Carlton

There have been several attempts over the years to achieve a supra-national patent in Europe. Indeed work on the Community Patent or COMPAT started in the 1970s so if your immediate response is "I'll believe it when I see it" I would not blame you. However it is really looking as though this time will be different and we really may have a system operational within the next few years. Twenty five out of twenty seven Members States have agreed to take matters forwards under a process called "Enhanced Co-operation (Italy and Spain have not joined) and discussions are continuing at a pace.

The latest proposal for the European patent with unitary effect (unitary patent protection)

What are the differences between a traditional European patent granted through the European Patent Office (EPO) and the new European patent with unitary effect? The application procedure is going to stay virtually the same as for existing European patents but at the grant stage you will be able to request unitary effect.

Applications have to be in English, French or German as in the present system. If you live in an EU country that does not have English as an official language you will be able to file in your own language with a translation into English, French or German, and the translation may be subsidised for SMEs. To obtain the unitary effect the European patent will have to be in at least English plus one other member state language and the claims of the patent will have to be in English, French and German. In time the requirement for translations may be dropped if machine translations become sufficiently reliable. However, translations will be needed when it comes to enforcing the patent in a country with a different official language.

The European patent with unitary effect can only be transferred as a whole, but it is proposed that it should be possible to license it on a national basis. The right will be subject to a single renewal fee structure and recordal process which will be administered by the EPO. The cost of application and renewal has not been developed in detail yet but there has been discussion about making it attractive for SMEs. There may even be reduced fees for SMEs.

> *"Having a European patent with unitary effect is all well and good, but the most significant benefit is that it will confer a right which can be enforced across the Member States in a single action (lawsuit)."*

Unitary patent protection will only apply in Members States that ratify the Unified Patent Court Agreement (see below) and a minimum of 9 countries, including UK, France and Germany, is envisaged before the Court Agreement becomes effective. So we are likely to see only 9 countries in the unitary patent system at the outset with a steady ramp up after that. This will give rise to significant legal complexities as additional Member States come on board. Industry's views are being sought on the best way to deal with this situation.

The latest proposal for the Unified Patent Court

Having a European patent with unitary effect is all well and good, but the most significant benefit is that it will confer a right which can be enforced across the Member States in a single action (lawsuit). To do that a suitable court structure has to be devised.

The proposal contained in the Unified Patent Court Agreement is to create local and/or regional divisions hosted by the 25 participating Member States. They will generally use panels of three judges, of whom at least one must be of a different nationality (three different nationalities if the Contracting Member State hosting the local division is inexperienced), so as to spread experience to judges in countries which handle fewer patent cases and develop consistency of decision-making. A fourth, technical judge, may be added in some cases. It has also been proposed that there should be shared regional courts which can handle cases from two or more countries. Infringement cases will be started in the local/regional divisions; there will also be a central division to handle validity (revocation) and infringement cases which do not have a connection to a local/regional division.

When an infringement case starts in a local/regional division and then the validity is challenged the case may proceed in three different ways: the local/ regional division may keep the whole case, send the whole case to the central division, or keep the infringement part and send the validity part to the central division. Splitting the case between the local division and central division is called "bifurcation" and is somewhat controversial as it may favour one party over the other, but it is the traditional approach used in Germany.

Where the central division will be located is yet to be decided. Germany has already put in a bid but we hope the UK will also put in one. Not only do we see hosting the central division a huge opportunity for the UK but that it should be remote form the European Patent Office. There will also be one central Court of Appeal. The location of the Court of Appeal has not been decided either.

In order to ensure high quality and reliability, stakeholders stress that all divisions of the new court must be staffed by experienced judges with effective and consistent procedures and the system must be accessible, affordable, and competitive, and provide fully reasoned judgements. Many users also want to be able to start infringement actions in the central division.

Will it work?

At the moment there is concern that in the haste to achieve an agreement we may end up with a sub-optimal system. This would not only be frustrating after all the efforts that have been made, but potentially harmful for innovative business in Europe.

In order to achieve the desired outcome some important changes are still needed. Most importantly, substantive patent law provisions need to be removed from the draft patent Regulation to avoid over-reliance on the EU Court of Justice which would create unacceptable backlogs in the whole system. Also, it should be possible to choose between the old 'national' and new 'unified' Court systems until such time as the new court has established a decent track record., Procedural Rules for the Court need to be developed early as they are essential to achieve a fair and effective system and a consistent approach between courts. Regional divisions should be encouraged to make best use of a limited number of experienced patent judges.

The panels of judges at each division should be truly mixed nationality to ensure a European flavour to the new court, and avoid national traits. The language regime for litigation needs to be simplified. Bifurcation should be minimised if it cannot be removed altogether. Specifically, it should be possible to start infringement actions before the central division, which would avoid bifurcation in those cases. Locating the central division in the UK may help reduce bifurcation generally.

In any case, as long as bifurcation is possible clear guidelines are needed to say when local divisions should stay proceedings to ensure a consistent approach everywhere.

What happens next?

Currently, the "Friends of the Presidency Group", which involves the 27 national IPR attachés and national experts (from national ministries), is in charge of negotiating the details of the proposals. For the UK, negotiations are led by Baroness Wilcox in the department of Business, Innovation and Skills (BIS) aided by the UK Permanent Representative in Brussels guided by the Intellectual Property Office. There is a lot of work still to be done and many contentious issues remain to be resolved. There is now a great deal of momentum towards reaching political agreement by the end of the Polish Presidency in December 2011 with the texts being refined and concluded by the end of the Danish Presidency in mid 2012.

As I write, negotiations continue and new drafts are constantly being generated. The Polish Presidency is also looking at preparations for the system coming into operation, such as training judges, rules of procedure and building the court infrastructure. The Commission has recently prepared a substantial paper on financing the Court.

Intellect supports the introduction of a European patent with unitary effect and a unified patent court system, provided the overall package is better than what we have today.

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Intellect is the trade association for the UK technology industry.

Intellect provides a collective voice for its members and drives connections with government and business to create a commercial environment in which they can thrive. Intellect represents more than 800 companies ranging from SMEs to multinationals. As the hub for this community, Intellect is able to draw upon a wealth of experience and expertise to ensure that its members are best placed to tackle challenges now and in the future.

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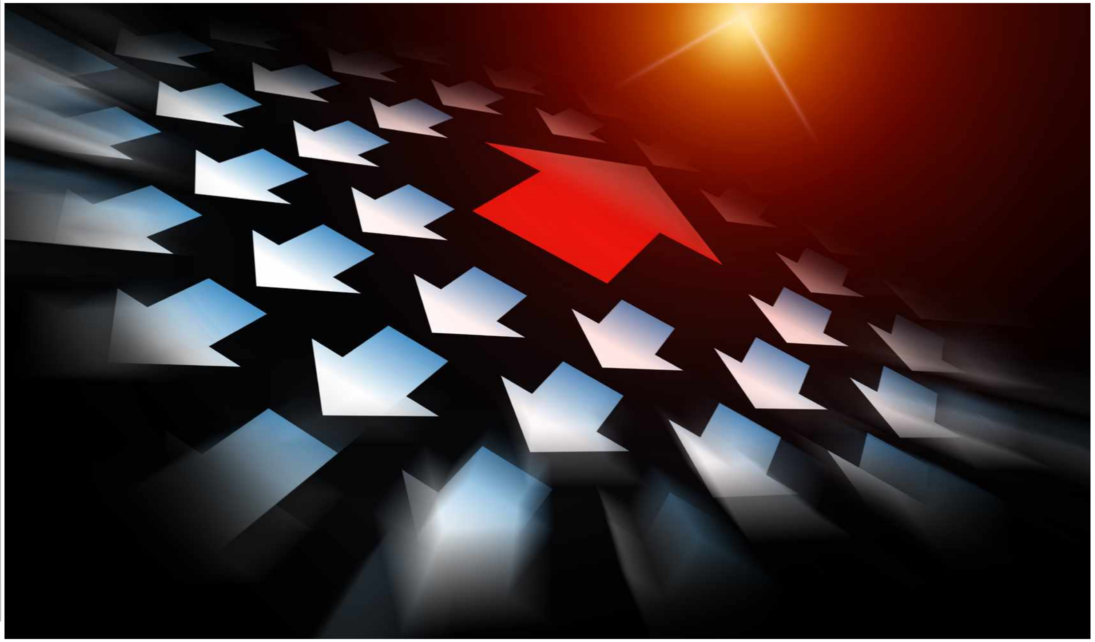

Copyright across borders

By Sarah Byrt and Daniel Hart

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Three recent cases – on Darth Vader, digital rights and databases respectively – all shed light on where you can sue for intellectual property infringement and how you can enforce your rights to get an effective remedy. Each relates to the media sector but raises issues which are of interest to all business which regard IP rights as important assets.

The Star Wars case – UK claims for overseas infringements

The litigation between George Lucas' company, Lucasfilm, and Andrew Ainsworth, who helped create the Stormtrooper helmets used in Star Wars, went all the way up to the Supreme Court in England and hit the headlines. Lucasfilm had obtained a Californian default judgment for $20 million against Mr Ainsworth for his sales of replica helmets from a UK website, but could not enforce that judgment because Mr Ainsworth had not set foot in the US.

The English courts said that merely operating a website targeting US customers was not enough, for enforcement purposes, to show that he was subject to the jurisdiction of the US courts. So Lucasfilm pursued a fresh claim in the UK for infringement of US copyright, arguing that the English courts could and should hear that claim instead. (Its UK copyright claim failed because of the way in which UK law denies copyright protection to many 3D products.)

EU rules govern the question of where an EU defendant may be sued within the EU. Lucasfilm sued Mr Ainsworth in his home country, the UK – an approach which is usually permissible[1] except in limited circumstances. Since the case concerned copyright, an unregistered IP right, the international rules did not require it to be heard in the country of registration.

So the Supreme Court decided that the English courts could and should[2] hear the claim, despite the fact that it was for US copyright infringement, simply because Mr Ainsworth was domiciled in England - thereby providing Lucasfilm with effective recourse against Mr Ainsworth in respect of his US activities. (The same principles would not apply to registered rights such as patents, where claims very often involve arguments about the validity of the registered right and might have to be brought in the country of registration.)

Mr Ainsworth had only sold $8,000-$30,000 worth of replica helmets in the US. Assuming that the English courts applied their domestic rules on quantification of damage (albeit within US "heads of loss")[3], one might expect a much smaller award than that made in California.

In most non-contractual claims going forward however, the foreign law governing the claim will apply to the quantification exercise too, according to the new Rome II Regulation[4]. Although this might raise the spectre of US-style damages awards, public policy and other arguments could still be deployed as against any "non-compensatory" element[5].

Newzbin – taking action against ISPs when the infringer moves its servers offshore

In 2010, various film studios successfully took action against the operators of the Newzbin site, which had facilitated and encouraged the downloading of pirate copies of movies. After that first case, the original site and company closed down and a "Newzbin 2" site started up with servers in the Seychelles.

Some of the legal arguments relied on in the original case could still have been used against an offshore operation. Specifically, Newzbin 1 had been found to "authorise" copyright infringement by individual users who were downloading films and English case law establishes that infringement by authorising can take place even where the authoriser is offshore. However, the movie industry faced significant difficulties in enforcing against the shadowy figures behind Newzbin (who adopted "Reservoir Dogs" style nicknames such as "Mr White").

In the first case of its kind, the film studios successfully used a provision of English copyright law derived from EU legislation to take action against the UK's largest internet service provider, British Telecom. BT was found to have sufficient knowledge, in general terms, of the use of the Newzbin 2 site to infringe copyright and has been ordered to block access to the site (although "Mr White" and his friends claim that they can circumvent the blocking technology).

Football Dataco – where is UK database right infringed?

The third case relates to the use of data about English Premier League football matches and is en route to the Court of Justice of the EU ("CJ"). Football Dataco is the Premier League-owned company used to sell match data, such as who scored when, and how many red cards have been given.

> *"the film studios successfully used a provision of English copyright law derived from EU legislation to take action against the UK's largest internet service provider"*

It believes that the data is being taken without its authority by Sportradar, a Swiss-owned German company with servers in Germany and Austria (and a back-up server in Holland). Sportradar is apparently supplying the data to UK-based betting sites – but Football Dataco does not want to sue those websites because they are also its customers.m Football Dataco therefore sued Sportradar in England for copyright and database right infringement. Subsequently, Sportradar sued in Germany seeking negative declarations.

The English Court of Appeal held that the data did not benefit from copyright protection, so Football Dataco's copyright claim failed.

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However, the data can be protected by database right (created by EU harmonising legislation to protect database contents where these have been put together using substantial investment). Football Dataco made two "database right" claims: first, that Sportradar directly infringed such rights by transmitting the data; second, that Sportradar was joint-tortfeasor with those UK entities accessing it.

Unlike in the Star Wars case, the defendants were not domiciled in the UK. However, tortious claims against German/Swiss defendants may instead be brought in the country in which the harmful event occurred[6].

Data was allegedly being sent from the German and Austrian servers to UK-based websites and then being used by UK punters. Thus, an issue arose in the "direct infringement" claim as to whether the act of sending the data was an act of "extraction" or "utilisation" (the ways in which database right is infringed), and where that act occurred.

Did it occur in Germany/Austria/Holland via the hosting of the data (the "emission theory"), or also in England where it was accessed (the "transmission theory")? The Court of Appeal considered that these issues were unclear and referred appropriate questions to the CJ.

In the "joint-tortfeasor" claim, by contrast, the harmful event clearly occurred in England. However, a jurisdictional complication remained.

Sportradar argued that the English claim, as originally formulated, did not properly identify any cause of action justiciable in the English courts.

Accordingly, it asserted that the German courts were "first seised"[7] of the relevant "causes of action", and that thus the English courts had to decline jurisdiction[8]. The Court of Appeal disagreed.

It applied a wide interpretation of the term "cause of action", and ruled that the English courts were "first seised" of a claim for database infringement. Further, the "joint-tortfeasor" element of that claim could proceed forthwith since it was not dependent on the questions referred to the CJ.

The CJ's answers will affect where "direct infringement" claims may be commenced in future. If infringement also occurs in an EU country other than that of the defendant's domicile, a claimant may have the luxury of picking its preferred forum.

1 - Article 2 of the Brussels I Regulation.
2 - See Owusu v Jackson (t/a Villa Holidays Bal Inn Villas) (Case C-281/02) [2005] E.C.R. I-1383.
3 - Section 14(3) of the Private International Law (Miscellaneous Provisions) Act 1995, and Boys v Chaplin [1971] A.C. 356 and Harding v Wealands [2006] UKHL 32.
4 - Article 15(c) of the Rome II Regulation (to be contrasted with Article 12(1)(c) of the Rome I Regulation in relation to contractual claims).
5 - Article 26 of the Rome II Regulation; see also Articles 1(3) and 16 and Recital (32), and also the Protection of Trading Interests Act 1980.
6 - Article 5(3) of the Brussels I Regulation and Lugano Conventions
7 - Article 30 of the Brussels I Regulation
8 - Article 27 of the Brussels I Regulation

Sarah Byrt, is a partner in the London office of Mayer Brown has more than two decades of experience in intellectual property and information technology law.

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Sarah's practice focuses on the IP and IT aspects of mergers, acquisitions, licences, JVs and other transactions.

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These include: jurisdiction and parallel proceedings, governing law, obtaining overseas evidence, and the international enforcement of judgments.

He acts in a range of disputes involving financial transactions and other complex commercial agreements, post-acquisition claims, commercial agency contracts, intellectual property and corporate/shareholder issues. His clients span business sectors such as finance, chemicals, telecoms/IT, pharmaceuticals, market research, aviation and sport.

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UK: Licensing – Getting Value For Your IP Investment

BURGES SALMON

By Helen Scott-Lawler and Hannah Court

Intellectual Property rights are vital assets for many businesses and licensing to others is one of the key methods used to exploit those rights. Done properly, licensing can be of immense value as a tool for generating revenue and advancing the reputation and market reach of the licensor. However, get it wrong, and the consequences could go far beyond a failure to capitalise on the potential of your IP – you could even jeopardise the very rights you sought to exploit.

In this article we explore some of the common pitfalls of licensing out IP rights, and provide some general advice for avoiding these risks.

Clarity is key

As with all commercial agreements, a lack of clarity in drafting creates the potential for disputes, which can be damaging to any commercial relationship and could lead to litigation. In the context of IP licences, it is particularly important to be clear from the outset on the full scope of the licence and exactly what rights are being granted to the licensee.

Future-proofing is important here. In the fast-paced world of technology, a failure to build in flexibility to cover future developments can create uncertainty e.g. restricting the licence to a particular field of use or distribution channel may become problematic if advances in technology blur the distinctions. Therefore, definitions should (where possible) be phrased to allow for changing circumstances. In many cases future-proofing merely requires careful thought and clear drafting, for example, by expressly bringing within the scope of the licence “technological advances in this area” or

Future-proofing is important here. In the fast-paced world of technology, a failure to build in flexibility to cover future developments can create uncertainty e.g. restricting the licence to a particular field of use or distribution channel may become problematic if advances in technology blur the distinctions. Therefore, definitions should (where possible) be phrased to allow for changing circumstances. In many cases future-proofing merely requires careful thought and clear drafting, for example, by expressly bringing within the scope of the licence “technological advances in this area” or “similar technology not yet invented”.

Be very clear about whether the licensee will be permitted to sub-license, and if so, consider how prescriptive to be about sub-licence terms.

Quality control

The impact on the reputation of a rights owner if products incorporating those rights fall below par can be dramatic. The licensor should therefore reserve the right to check that everything produced and/or supplied by the licensee (including any packaging or promotional material which makes use of the licensor’s branding) is of an acceptable quality. An effective way to achieve this would be to include a requirement for licensor approval of all products and/or materials, reinforced by the provision of regular samples by the licensee and/or a right to inspect the licensee’s activities.

Any specific requirements (e.g. compliance with a brand manual) should be incorporated into the licence, as this will help to establish the licensor’s expectations of the licensee from the outset.

Royalties

Financial gain is often the primary motivation behind licensing, so great care must be taken to ensure that the licensor is protected here. When it comes to the calculation of royalties, parties will often propose some form of profit sharing arrangement. However, basing the calculation of royalties on a percentage of the licensee’s profit is a risky business for the licensor – profit is tricky to define with any certainty, which makes the figures inherently susceptible to manipulation by the licensee. A clearer approach is to base the calculation on a set price per unit or net sales price.

The clause should also address what happens where products are supplied other than by straightforward sale, for example where free samples or discounts are to be provided, or products are to be leased or hired out to customers. Of course, the licensor cannot set minimum prices at which the licensee can sell the end product to its customers (this would fall foul of antitrust laws) but the licensor can charge the licensee a minimum royalty per unit, in order to protect its own income.

Finally, all royalty clauses should cover the timing and method of invoicing and payment, and allow the licensor to check that royalty calculations are correct by including regular reporting requirements and audit rights.

Exclusivity

Licensees are clearly very often keen to achieve exclusivity (meaning that the licensor must not use the IP itself or allow anyone else to use it, so the licensee is the only party allowed to exploit the IP). However, this should attract a premium for the licensor as it has no other route to market for the IP.

For the same reason, exclusivity demands particularly clear drafting of, for example, scope, territory and duration. It can also raise antitrust considerations so must be commercially agreed and drafted with great care.

There are also additional financial considerations for exclusive licences, as exclusivity presents the further risk that a licensee could choose not to exploit the rights, but would be entitled to prevent others from doing so for the duration of the licence. The licensor will therefore need to ensure that the licensee exploits the rights to their full potential. Minimum performance targets are a good way to achieve this, for example by imposing a minimum sales figure or a minimum royalty over a set period of time. Failure to achieve these could give the licensor the right to terminate (or just terminate exclusivity) so the licensor has the ability to get its IP to market himself or through another licensee.

The licensor should also take great care in granting an exclusive licence to ensure that it maintains a register recording the IP licensed and the terms of the exclusivity to ensure that it does not license again or use that licensed IP within the scope of the exclusivity.

Termination

Termination rights should achieve the right balance between the licensor's ability to bring the licence to an end and security for the licensee (which may be particularly important if the arrangement requires a significant up-front investment by the licensee), and this needs to be carefully thought through.

As well as the usual rights to terminate for material or persistent breach of contract and on insolvency, further rights to terminate may be appropriate e.g. on a change of control of the licensee (this is particularly important if there is a risk that the licensee may be acquired by a competitor), or for failure to meet sales targets. Additionally, licensors cannot prevent licensees challenging the validity of the licensed rights, but can include a right to terminate if any such challenge is brought.

Termination clauses should also address the requirements for termination (including notice periods and methods/timings of service of termination notices), as well as the consequences. For example, should the licensee immediately cease production of products which incorporate the licensed rights? Will they be given a period of time to sell off stock, and if so what arrangements should be made in respect of royalties? Should all royalties become immediately due on termination, and should interest begin to accrue? Does the licensee have any confidential information which should be returned to the licensor or destroyed?

Infringement

Every licence should address the procedure in the event that the licensed rights are infringed by a third party, as such infringement can be detrimental to both licensor and licensee. It will therefore be in the interests of both parties to resolve any such disputes as quickly as possible, and confusion over who takes responsibility for this will only exacerbate the damage.

Various legislative provisions (e.g. s.30 of the Trade Marks Act 1994, and s.67(1) of the Patents Act 1977) confer rights upon licensees, allowing them to take action for infringement as if they were the rights holder where the infringement affects their interests and where the licensor has declined or failed to take action themselves.

Given the risks of litigation, licensors should consider whether it would be more appropriate to retain full control over all proceedings. If so, they should contract out of these provisions, and include an alternative clause reserving full discretion over when and how claims should be brought and handled.

Conclusions

It is far too easy to fall into the trap of over-reliance on standard form or existing documents based on previous situations. By doing this you create a risk that important issues will be overlooked and an opportunity to maximise value will be missed.

No two licensing arrangements are completely alike, so the only way to ensure that you reach the best solution is to start from the beginning with each new set of circumstances – all the issues should be considered afresh in the context of the particular deal.

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Since qualification she has worked on a number of IP licensing deals, including assisting the IP team on the drafting and negotiation of a new IP Licence and Consulting Agreement for ULTra PRT – an innovative engineering company which has developed a Personal Rapid Transport system, now used at Heathrow Airport.

Elsewhere, Hannah has worked with clients such as The Carbon Trust, Eurostar, Discovery Channel and the Nuclear Decommissioning Authority.

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IP-Implications of the new Unitary EP-patent system for SME-businesses and Universities

KUHNEN & WACKER Intellectual Property Law Firm

By Paul-Alexander Wacker

With the substantial progress in harmonising IP regimes across the world: like the Patent Cooperation Treaty (PCT) (1970), the Agreement on Trade-Related Aspects of IP Rights (1994) and the Singapore Treaty on the Law of Trademarks (2004)) and in Europe (through the European Patent Convention, the Community trademark, the Community design and the EU IP Rights Enforcement Directive (2004/48/EC)) and the global broadening of the PPH (Patent Prosecution Highway) many requirements of related users have been tremendously improved.

However, since 40 years lots of efforts and waste of money have occurred to overcome the existing practical differences between EU member states, which have always defended their nationalistic positions while seemingly unaware that if their legal and economic frameworks may be dealt with in big industries, but far too complicated to be dealt with by SMEs and therefore have to be adjusted to the needs of the entrepreneurs and small and medium-sized enterprises (SMEs) and Universities in their countries.

In Germany major companies (3% of all patent applicants) have increased their share of total patent filings from 50% to 60% between 2000 and 2006, while the share of filings attributed to SMEs (the other 97% of all applicants) fell to 40%. These figures prove that SMEs are losing ground in the ability to defend their growing innovative power. Therefore, a more simplified patent prosecution and litigation system is long overdue to become effective in Europe.

It is expected, that on Dec.22. 2011 at least 25 of the 27 European member states will sign in the Warsaw Convention with which the enforced cooperation of the 25 member states (excluding Italy and Spain) could start very soon afterwards.

Patent applicants can continue to file their European Patent application as usual (and after grant to comply for some transitional period with only one translation in one of the other two languages) to obtain one single European patent valid in the territory of the involved 25 member states:

1. By then even SMEs and Universities can reduce the costs of obtaining a patent in Europe by as much as 80%.

To ensure a new European age of patent protection European officials (e.g. examiners, appeal board members and judges) must adjust their daily working routine in order to consider applications subjectively and humanely, rather than narrowly interpreting outdated bureaucratic rules, so that important inventions and innovations can still be protected despite formal deficiencies in applications. Rather, the only answer is to implement legal frameworks which enable interested parties, particularly SMEs, to obtain fast and reliable prosecution (e.g., by providing enough examiners) and which avoid the bureaucracy that can kill off the entrepreneurial and inventive spirit before the grant of a European patent.

The same is true for managers of major corporations, who must recognise that a true innovation culture requires corporate compliance rules which include not only sustainability and long-term thinking, but also fruitful cooperation with SMEs, rather than subversive attacks against the innovative power of SMEs. This would provide real hope for allied efforts in the globally competitive world of IP rights and would provide new resources through trusted in-sourcing.

This includes fair behaviour; for example, the 'fair, reasonable, and non-discriminatory terms' that are commonly accepted in regard to standards must become equally accepted in regard to joint ventures and research cooperation. Even with the change from the "not invented here syndrome" to the "open collaborative research" and "open innovation movement" the real needs of globally competitive companies cannot be met, as long as the short term profits outweigh mid- and long-term chances through fruitful and fair cooperation.

2. By then even SMEs and Universities can enforce and defend their legal position in a Unitary Patent Court (UPC).

While today litigation frameworks in various jurisdictions hinders SMEs through high litigation costs, SMEs stemming from family businesses will continue to die out. For example, in the United States, each party to a patent litigation must bear its own costs, no matter whether the case is successful, so that a US SME must spend between $3 million and $5 million to protect its patent. Without amended rules to allow SMEs to grow, there will be no US economic recovery – this is a view which is shared by US Supreme Court judges.

In Europe, only with the start of the Unitary patent court system with decentralized court in several countries and a court of appeal in Luxembourg it will be possible to litigate and enforce IP-matters and/or to settle at the Patent Mediation and Arbitration Centre in Lisbon and Ljubljana. Some countries havening a strong SME based economy (e.g., Germany and Austria) will get the possibility to start the first instance in Germany.

In Germany, 'hidden champion' SMEs can overcome pressures from competitors, major corporations, labour unions, finance authorities and bureaucracy by employing highly motivated inventors and consultants to make the most of Germany's well-established and highly developed IP system, including the German utility model with a 6 month grace period, which can be branched off from a pending German or European or PCT application at any time and as often as requested.

Germany is still the only remaining country where a patent examination can be postponed for up to seven years, which allows applicants to start or delay the patent examination procedure depending on research and development (R&D) results and the marketing progress of the product at issue. This has led to the fact that 80% of European IP litigations being handled in Germany.

Unfortunately, many SMEs are more likely to give up the race to secure innovative results even though the combination of patents, utility models, designs and trademarks could have been a healthy basis for a more competitive edge.

European SMEs still suffer from a number of disadvantages when it comes to protecting and defending their IP rights, including the following:

- SMEs have inadequate financial resources to protect their ideas while also defending themselves against rivals which are ignorant of their IP rights.

- SMEs do not receive enough financial support from their governments for R&D.

- SMEs are still not allowed properly to value their IP rights in their balance sheets. This is likely to make them targets of unfriendly takeovers, rather than improving their capital basis.

- SMEs do not receive fee reductions at the European Patent Office (EPO) and most national offices (with the exception of France, plus the United States and Canada).

- SMEs experience specific disadvantages with the fee structure of the EPO and some national offices (e.g. claim fees).

- SMEs cannot sell and lease back their IP rights into countries or states where royalty income is tax free (e.g. Delaware and Utah in the United States).

- Only in the United Kingdom (and Denmark, to some extent) can SMEs deduct 200% of R&D expenses from their income tax to improve their financial basis for further R&D spending.

- SMEs do not enjoy a six or 12-month grace period in Europe for patent applications.

- SMEs do not receive language support for the different European languages, while SMEs in most of the major countries outside Europe have the advantage of using a single language.

SMEs do not have the staff resources for IP litigation and forum shopping.

Finally, a Community trade secret – which is not even under consideration – could help to restrict the unintended flow of know-how from one competitor to another, even in cases where IP rights may not be appropriate. If this were combined with a one-year grace period for inventors, SMEs would be able to be far more open when cooperating with other companies and innovators.

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He has extensive experience in the prosecution of trademark, patent, utility model and design applications, and provides specific advice for prosecution and litigation strategies in Germany, Europe and internationally.

He has significant experience and a solid reputation in IP evaluation. Mr Wacker graduated from the Technical University of Munich with a degree in electrical engineering and a degree in economics.

He became a patent attorney in 1975. He frequently lectures on IP-related matters at IPO,LES, AIPLA, INTA and is a regular lecturer at Kuhnen & Wacker's European patent practice seminars, held both in Germany and overseas.

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Implications for Business: the Impact of the ECJ's ruling in Medeva and Georgetown

By Sandra Pohlman

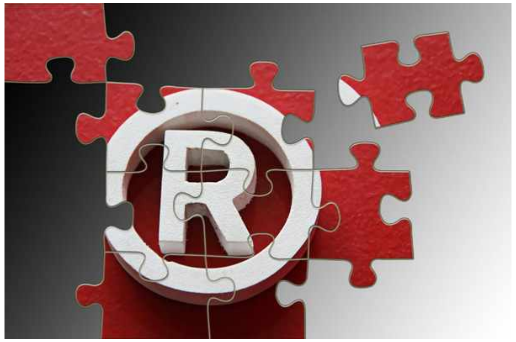
In recent years, the issue of supplementary protection certificates (SPCs) for combination products became controversial within the EU, with inconsistent positions taken among the member countries.

The European Court of Justice (ECJ) issued its long awaited decisions in the cases of Medeva BV v. Comptroller-General of Patents, Designs and Trademarks (United Kingdom) (C 322/10) ("Medeva") and Georgetown University, University of Rochester, Loyola University of Chicago v. Comptroller-General of Patents, Designs and Trademarks (United Kingdom) (C 422/10) ("Georgetown") on 24th November 2011. These cases dealt with the requirements for obtaining SPCs for medicinal products containing combinations of active ingredients.

SPCs provide up to five years of additional patent protection with respect to a medicinal product approved in the European Union (EU) and protected by a patent. Thus, SPCs are of great importance and commercial value to pharmaceutical innovator companies.

SPCs are governed by Regulation (EC) No. 469/2009 of the European parliaments and of the Council of 6 May 2009 concerning supplementary protection certificate for medicinal products ("SPC Regulation")[1]. The purpose of the regulation is to reward innovator companies for the costs associated with bringing a medicinal product to the European market and thus provide incentive for them to research and develop new medicines (see recitals 2 and 3 of the Regulation).

The requirements for obtaining an SPC are set out in Article 3 of the Regulation. Specifically, an SPC shall be granted if:



"(a) the product is protected by a basic patent in force;

(b) a valid authorisation to place the product on the market as a medicinal product has been granted in accordance with Directive 2001/83/EC or Directive 2001/82/EC, as appropriate;

(c) the product has not already been the subject of a certificate;

(d) the authorisation referred to in point (b) is the first authorisation to place the product on the market as a medicinal product."

In the absence of one of these requirements being met, a national patent office that undertakes a substantive review of SPC applications will deny the grant of an SPC. A granted SPC that does not meet any of the above requirements is invalid and may be challenged in national courts (Article 15).

Within the EU, controversy arose as to whether a combination product, for example, a medicinal product containing active ingredient A and active ingredient B, is protected by the basic patent under Article 3(a) if such patent contains a claim for only one of the active ingredients. Furthermore, under Article 3(b), national patent offices and courts had refused SPCs when the approved product did not contain the same combination as the patented product (i.e., the approved product contained active ingredients A, B, C and D and the patent contained a claim to active ingredient A and/or a claim to a combination of active ingredients C and D).

The Medeva and Georgetown cases related to multi-component vaccines containing several antigens, the SPC applications for which were refused in the United Kingdom under Article 3(a) and Article 3(b). The referred questions in each case were essentially the same and the ECJ heard both cases together, handing down the two decisions on the same day. In Medeva, the ECJ decided as follows:

"1. Article 3(a) of Regulation ... 469/2009 ... must be interpreted as precluding the competent industrial property office of a Member State from granting a supplementary protection certificate relating to active ingredients which are not specified in the wording of the claims of the basic patent relied on in support of the application for such a certificate.

2. Article 3(b) of Regulation ... 469/2009 must be interpreted as meaning that, provided the other requirements laid down in Article 3 are also met, that provision does not preclude the competent industrial property office of a Member State from granting a supplementary protection certificate for a combination of two active ingredients, corresponding to that specified in the wording of the claims of the basic patent relied on, where the medicinal product for which the marketing authorisation is submitted in support of the application for a special [sic:supplementary] protection certificate contains not only that combination of the two active ingredients but also other active ingredients".

In Georgetown, the ECJ ruled as follows:

"Article 3(b) ... must be interpreted as meaning that, provided the other requirements laid down in Article 3 are also met, that provision does not preclude the competent industrial property office of a Member State from granting a supplementary protection certificate for an active ingredient specified in the wording of the claims of the basic patent relied on, where the medicinal product for which the marketing authorisation is submitted in support of the supplementary protection certificate application contains not only that active ingredient but also other active ingredients".

For Article 3(a) of the SPC Regulation, the ECJ has defined a new test, namely, that an active ingredient must be "specified in the wording of the claims of the basic patent". This test is not found in the regulation itself or in any national provisions or decisions and hence leads to uncertainty. The ECJ test might be broader than the strict "disclosure" test applied by the courts in the Netherlands and the United Kingdom. Yet, it is clearly more restrictive than the infringement test applied by other European courts, including the German courts.

The question of how the new test applies to other claim types such as generic compound claims or claims to antibodies or recombinant proteins remains wide open.

The ECJ's interpretation of Article 3(b) is rather liberal and opens up opportunities for innovator companies. As long as the product (protected by the basic patent) is among the active ingredients of the approved medicinal product, this satisfies Article 3(b). If the patent claims active ingredients A and B, and the approved product contains active ingredients A, B, C and D, then an SPC for the product A + B can be granted.

The decision does not address the scenario where a marketing approval is for a medicine having active ingredient A, but the approved indications state that it is to be administered as part of a combination dosing regimen with a medicine containing active ingredient B. Decisions from the United Kingdom and Germany held that Article 3(b) precluded the granting of an SPC for product A + B under such circumstances[2].

Regarding Article 3(a), the ECJ clarified in a third decision on the next day that if a patent claims a combination (for example, active ingredients A and B) and the approved product contains only one of the active ingredients, such as active ingredient A, then the SPC must be denied under Article 3(a) EPC (Yeda Research and Development Company v Aventis Holdings (C 518/10)). Thus, in such a circumstance, only an SPC for product A may be granted and the basic patent must protect product A.

In terms of enforcement of an SPC for product A against those placing a medicinal product containing active ingredient A on the market with instructions to use it with product B, such action would seem to infringe the SPC for product A, since Article 4 of the SPC Regulation states that an SPC confers protection on a "product covered by the authorisation to place the corresponding medicinal product on the market and for any use of the product as a medicinal product that has been authorised before the expiry of the certificate".

In conclusion, the ECJ may have raised the bar for SPC applicants under Article 3(a), and consequently provided new ammunition for attacking already granted SPCs. Fortunately, Article 3(b) has become a lower hurdle.

1 - http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:152:0001:0010:en:PDF

2 - Anti-Helicobacter Preparation (X 2B 1/08, 2008); Yeda, Patents (2010) EWHC 1733 (German Federal Supreme Court)

The views expressed in this article are those of Ms. Pohlman and do not necessarily represent the views of df-mp

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A main part of her practice is oppositions and prosecution before the European Patent Office. Another significant aspect of her practice is due diligence and freedom-to-operate opinions, including advice relating to patent infringement and validity under European law.

During her career, she has been involved in numerous patent litigation disputes in European and U.S. courts. Sandra can be contacted at +49 89 210 296 0 or by email at sandra.pohlman@df-mp.com.

A new domain for lawyers: Cloud computing, a French perspective

Granrut Avocats

By Richard Milchior

Everyone has heard about the new paradise that is being offered to minimize the cost of the information system: cloud computing.

This is an oxymoron however, since the salesmen and advertisers present this solution as a bright and clear one, nevertheless, it is sold under the word cloud, which when considered under its adjective, cloudy, infers that you are by definition in an unclear and perhaps even foggy situation, which will be demonstrated hereunder.

In a nutshell, cloud computing is the extension of manpower outsourcing in the information technology field.

There exist several options in order to modify the way one manages their hardware and software. In some cases, one may continue to have their private server and software located outside of the company. In others, the servers are consolidated outside of the company and the data is stored and safeguarded in a remote location.

As a result, one of the cloud consequences is that instead of buying new software licenses and new servers which may be temporarily too big, one will only pay for the software actually used, obtain updates without any additional costs and only pay for the data storage place actually used.

From the perspective of seeing cloud computing as a dream come true, one does not need to consider buying new equipment, one can save valuable office space, one pays as they and one always benefits from the latest software updates.

To be practical, one must consider the fact that, like in every activity, some people or SME are not in a position to discuss a contract with a cloud provider or a big entity, in order to avoid having to be in a position and in need to negotiate in order to be secured.

As usual, lawyers are not always involved in the process of IT transfers from inside to outside of the company. In addition to checking the technical capability of one's cloud provider, one should also mention a few of the issues which exist and which should be considered, since the devil lies in the details.

1) Who is responsible for the treatment of the data?

It can be either the client or the cloud provider. This is especially important if the data is going to be sent and stored outside of the EU.

Concerning France, the data is subject to the data protection law under the implementation of the EU data protection directive. According to article 3 of this law, the party responsible for the treatment of the data remains the client and not the cloud provider. This means that the client must make sure that the data protection formalities are respected and especially if personal data is to be sent outside of the EU.

If the transfer is made with a country which does not grant sufficient protection, the transfer is subject under the authorization of the concerned party. This is obviously a nightmare, as it requires both the obtainment of consent from each party and for the tracking of the authorization.

Concerning transfers with the US, the client must check if the cloud provider has joined the Safe Harbor Principles and whether or not it has renewed its participation.

As a partial relief for this concern, the EU commission has taken the cloud computing issue into consideration when it enacted its template clauses for data transfer on February 5th, 2010, in order to explain how to handle data transfers outside of the EU.

2) Will data confidentiality be respected, and will it be possible to recover ones data at the end of a contractual relation?

Following the data protection issue, the next classical question deals with the confidentiality of the data and its reversibility.

A clause concerning the confidentiality of data should exist in every contract, and its wording and value should be checked. This is even more important when certain types of data, such as health data, are concerned. However, the fact is that this does not exist in every contract.

This type of confidentiality must be provided by ensuring that all the necessary technical protections are being used, through either an agreement or a contract, by the party working for the cloud provider.

Nevertheless, one should keep in mind that if the data is stored in the US, some data providers have clearly stated that even if the data is foreign owned, they will obey the requests from Homeland Security and disclose any data stored in the US.

Otherwise, to ensure reversibility of data, software and hardware, at the end of the contract, it is wise to be informed on how the data stored in the cloud will be copied, in order to be able to claim a right to audit the center and to require from the beginning a reversibility plan. Even better, would be to try to enforce it through a simulation since one can otherwise face challenging issues in the end when trying to recover and reuse their data.

3) Applicable Law and Venue

This question, as in every contract, is rarely taken into serious consideration.

However, in case of a breach of contract or interruption of service, a French entity will not have the time and the money to sue a provider located in the US.

The examination of several agreements from a few US cloud providers shows that state law of any one of the US states, with the exclusion of any private international rule of law, is applied within a venue of the state court, as for instance, in San Antonio, TX.

Without questioning the quality or fairness of such jurisdiction, the acceptance of such a venue means purely and simply that a French person, a European private person or a SME will never sue their provider since they will not be able to spend neither the time nor the money on pursuing a lawsuit.

The implementation of mediation, perhaps through an online system such as the one already in use for domain names, would be a way to render this more equitable.

This is even more important when one takes the time to read the various agreements offered by the cloud providers which can easily be found on the Internet.

One can find contracts where the provider can unilaterally modify the agreement and there are others where the provider obtains a free worldwide non-exclusive license authorizing it to use any data it is storing for the client.

Another peculiarity to be considered is, in some contracts, the provider's ability to terminate them within a 24h warning period and, in some cases of emergency, even within an 8h warning period.

Furthermore, it is common practice with a client who is looking for or has already found a cloud service on the Internet, for a lower price, to not conduct the necessary due diligence in order to negotiate a more favorable contract and often times does not even scroll down to read the very long contract it is asked to read on its computer screen.

This practice can even be true for big companies as directors of important organizations sometimes explain, in front of public audiences, that they often times choose a cloud provider without conducting any prior due diligence before they consider ceding their data to a cloud provider which can sometimes create major turmoil for the company.

"In a nutshell, cloud computing is the extension of manpower outsourcing in the information technology field."

In a nutshell:

If you consider the safety of your personal or company data important, if the quality and continuity of a service is vital or at least important, and last but not least, if you do not want to risk being criminally liable for violation of data privacy rules, you should take serious caution and have your technical staff involve in-house or external lawyers before entering into the enchanting world of cloud computing.

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He began his career in 1979 with the firm "Lafarge Flécheux Ghestin", then with the firm "Raoul Castelain" from 1981 to 1982. He was then partner with "Robert Collin & Associés", from 1983 to 1995. He became of counsel with "Nauta Dutilh" until 1999. In 2000, he was a partner in the firm "Milchior Smilevitch". He works in French and in English.

After graduating from the Paris IEP ("Sciences Po") in 1977, Richard Milchior turned towards law, with an honours degree in Private Law (Paris X Nanterre) in 1978, which he completed with an honours degree in Economic Science (Paris X Nanterre) in 1979.

He was admitted to the bar in 1979, then obtained a postgraduate degree (DEA) in General Private Law (Paris II) and a postgraduate degree (DEA) in Criminal Law (Paris II) in 1981. In 1982, he obtained his Ph.D. on "Copyright and the Common Market", then, in 1983, he graduated as Master of Comparative Jurisprudence (New York University).

He graduated in mediation in 2008 from the University of South Florida (Tampa). Richard can be contacted on+33 1 53 43 1515 or by email at r.milchior@granrut.com

A patent nullity proceeding with its consequences and the interpretation what qualifies as use of a trademark

DANUBIA
PATENT & LAW OFFICE LLC
in cooperation with Sár & Partners

By Michael Lantos

This article will explore two separate high profile cases in Hungary involving attempts to nullify a patent and an interesting decision concerning trademark use.

A patent litigation has started that concerns the specific design of the rear surface of a fuel gun that can be used as a display surface. A German company has a Hungarian patent that covers such a display surface which consists of two planar surfaces following the plane of the barrel and handle portions of the fuel gun which close an obtuse angle with each other, and the planar surfaces meet along an edge line. The two planar surfaces are ideal to host respective advertisements or commercially important information.

A British supplier of fuel guns has a different design, in which an arced uniform display surface is arranged at the rear side of the fuel gun. A Hungarian gas company has used the British design at its petrol stations. The German company has sued the Hungarian user for patent infringement based on patent claims which have defined the existence of the two mutually inclined planar surfaces but the wording used the terminology “substantially planar”. The question hinged on whether the uniform arced surface can be interpreted as “substantially planar”.

The patent specification included examples showing only planar display surfaces meeting along a respective edge line and the specification was silent on any possible use of other than the one described and illustrated.

The Hungarian company together with its British supplier have mutually filed a nullity action against the Hungarian patent of the German company and have requested limitation of the independent claims to the version actually included in the specification and suggested that the term “substantially” be removed before the word “planar” and to insert that the inclined planar surfaces form an edge between them. The main ground was that the disclosure did not support a vague definition of the surfaces which did not clearly exclude slightly arced surface from the scope of protection. It has also been shown that a uniform display surface in arched form was already available for use prior to the priority date of the attacked patent.

The court has suspended the patent infringement lawsuit until a final decision is made in the status proceeding.

The patentee has argued that there is no partial nullity proceeding in the patent law and the request for limitation is legally impossible. They went on stating that the specific examples were made as showing preferred embodiments only, and the applicant was entitled to a broader protection. They referred to the fact that the term “substantially” is often used in patent claims when a definition would be too limiting in the literal interpretation.

The first instance proceeding was decided before the Hungarian Intellectual Property Office, which has left the term “substantially” before the noun “planar surface” but it added that this term allows departure from the geometrical definition of plane which are within the normal tolerance ranges of the actual manufacturing technology. The Office has accepted the limitation and inserted that the two mutually inclined planes of the divided display surface meet along a contact line.

The patentee has appealed to the Metropolitan Court and repeated the arguments used earlier. The Metropolitan Court has sustained the decision and added that the original disclosure did not comprise any examples other than the planar design and in the wording of the specification the possibility of using a different display surface was not even mentioned. The Court added that the interpretation of substantiality should be within the tolerance range of usual manufacture.

The patentee has appealed to the Metropolitan Appeal Court and this court has also sustained the previous decisions and added that in a nullity preceding the petitioner can request limitation of the scope of protection not only a full nullification.

It is yet to be seen, how the court dealing with the patent infringement will decide, since the plaintiff will not have too much freedom to substitute an arched display surface instead of the two inclined planar surfaces.

What is interesting with this decision is the term “substantially” does not result in a broader interpretation than what the doctrine of equivalences would provide even without using this indefinite attribute.

What qualifies as Use of a trademark?

A Hungarian enterprise has a trademark “Theo Papa Konyhája” which in translation means: “Father Theo’s kitchen”. The trademark has a priority date going back to 1999. A second entity has obtained the same trademark with a priority date in 2004. The owner of the younger trademark has filed a petition with the Hungarian Intellectual Property Office (HIPO) for rendering the older trademark invalid because of non-use. It was also requested that the date of the cancellation should go back to the priority date of the younger trademark, so that after the proceeding the earlier mark cannot form a prior right that could be brought against the younger trademark.

The list of goods included catering and restaurant services. The petitioner has filed a picture taken from the seat of the owner of the older trademark showing a neglected house with a neglected garden which seems to be inappropriate for having a real kitchen and for serving food. The trademark owner has submitted first 8 invoice copies containing food delivery services under the name in question. The total value of the invoices was about HUF 800.000 (corresponding to 2700 euros) and they were from three different years. At a later stage of the proceeding the trademark owner submitted further 15 invoice copies from the same period with a similar total amount.

The petitioner who has also a catering business with this name has showed their annual report showing about 60 times as high turnover each year as the amount of the trademark owner could show for three years. The petitioner has also submitted copies of their license and registration documents from different authorities which were all necessary for running a catering business.

The petitioner explained that their business qualifies also as a small enterprise, but if a kitchen would like to survive it would be impossible to have an annual turnover being the fraction of the given amount, otherwise a business would not meet its inevitable costs. The petitioner has also submitted opinion from a chartered accountant indicating that the invoices were with high probability invalid and non registered ones.

The HIPO decided in favor of the petitioner stating that use must not be formal but it has to be real and so that it must be noticed by the pertinent segment of consumers. Without even the examination whether the submitted 23 invoices were genuine or only forged copies, the HIPO pointed out that use must be real and the total amount submitted by the trademark owner was too few for a business to be able to run.

The HIPO has also pointed out that the trademark owner could not submit copies of licenses required for each caterer or food supplier and the picture has really shown a broken down sit which was inappropriate to make the Senate believe there was a real business running.

In the appeal proceeding the Metropolitan Court rejected the appeal and accepted the arguments of the HIPO. By canceling the trademark to the 2004 date, the owner cannot launch any cancellation action against the younger trademark of the petitioner, so this latter can continue its catering business undisturbed.

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His main practice areas concern patent and trademark litigation, license-related counselling and litigation, and he has participated in several leading court cases.

In the patent and trademark field he has a substantial practice in proceedings before the HIPO, EPO and OHIM, and before the Hungarian courts, including enforcing patents, trademarks and trade dress-related rights and solving different conflicts.

He is the current president of LES Hungary, vice president of the Hungarian Trademark Association. His memberships include INTA, LES, AIPPI and FICPI.

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Resolutions of domain disputes by the Czech Arbitration Court

KOREJZOVÁ & SPOL
ADVOKÁTNÍ A PATENTOVÁ KANCELÁŘ LAW AND PATENT OFFICES

By Dr. Petra Korejzova

Given the increasing importance of presentation in everyday business, especially commercial companies on the Internet, the domain name registration is becoming more noteworthy and numbers of domain disputes are arising in connection with this increase of importance.

A particular feature of these disputes is the need to solve them promptly, because in the vibrant internet world, days or weeks can make a difference. This means that for most of domain disputes, the normal procedures in a general court are too slow, rigid, and cumbersome.

In the Czech Republic, since 2004, there exists an alternative process dealing with domain disputes, in the form of arbitration through the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic (hereinafter the "Arbitration Court"). The advantage of this process is that it saves time and money for both parties.

In 2004, the Arbitration Court was granted permission to decide disputes over .cz Top Level Domain names (TLD). The proceedings in these cases are currently being conducted online, by using a designated secured platform that provides quick resolutions of disputes. Proceedings concerning domain names take place through the Arbitration Court according to the "Order for Resolving Disputes Concerning .cz Domains". The Arbitration Court has built a reputation of credibility over the years in the Czech Republic and abroad. An increasing number of plaintiffs have chosen this method to resolve domain disputes.

Decisions of the Arbitration Court are not limited to domain names within the .cz domain (domény.cz). As early as on April 12, 2005, the .eu domain administrator organization, EURid, commissioned the Arbitration Court to formulate an "Alternative Dispute Resolution" (ADR) for .eu domain names disputes. The Arbitration Court is responsible for maintaining the authorized proceedings under the ADR Rules and Supplementary Rules in accordance with the principles and rules of the European Commission.

The applicability of these rules for deciding disputes over domain names concerning tdl. eu, as well as authorization of the Arbitration Court to provide ADR over .eu domains was first reviewed and substantiated in the European Court of Justice (ECJ) under No. C-569/08 regarding the decision No. 910 of the Arbitration Court concerning the domain "reifen.eu", over a dispute about the name of a web portal " reifen ".

The ground of this dispute was the fact that the Austrian company Internetportal und Marketing GmbH in the so-called sunrise period registered 33 trademarks that were made up of commonly used terms with each individual letter separated by the symbol "&". In this manner, " &R&E&I&F&E&N& " was registered as a trademark and became the subject of this dispute. Subsequently, this company registered the generic domain "reifen.eu" with the right of priority. Mr. Richard Schlicht, the owner of Belgian trademark with the characters " Reifen " requested for the transfer of the domain "reifen.eu" and filed suit in the Czech Republic Court of Arbitration.

It ordered the transfer of the domain to which the Austrian company responded by challenging the judgment and submitting the whole affair to the Austrian courts. Austrian Supreme Court has subsequently raised the question to the ECJ. In its response, the ECJ, inter alia, confirmed the admissibility of the application of the EURid registration provisions of the applicant's domain, the competency of the Arbitration Court to decide over ADR proceedings for the .eu domains and the applicability of ADR Rules.

Since the first case in March 2006, the Arbitration Court concerning the .eu domains has dealt with over 1,000 domain disputes and has issued over 900 decisions. Proceedings, which can take place in 21 of the 23 languages of the European Union (the exceptions Maltese and Irish), are conducted by arbitrators selected from a board, which consists of a wide range of experts from different European countries. Even these proceedings take place via a secure online platform that currently allows the use of electronic signatures instead of the original physical signature documentation.

In 2008, the Arbitral Court obtained from ICANN (Internet Corporation for Assigned Names & Numbers) the authorization to conduct the proceedings in the Uniform Rules of Dispute Resolution (UDRP), which is an alternative dispute resolution scheme for all TLDs, as only the fourth organization in the world. Since 2009, the Arbitration Court offers alternative dispute resolution to other top-level domain names including; .aero, .asia, .biz, .cat, .com, .coop, .info, .jobs, .mobi, .museum, .name, .net, .org, .pro, .tel, and .travel.

> *"This "lack" of legislation opens the door to a variety of speculations regarding domain names and directly encourages litigations with outcomes that are also very complicated."*

The last area of jurisdiction of the Arbitration Court are domain name disputes concerning the .co and .nl domains, which are adjudicated on the basis of the UDRP, entrusted since May 6, 2009 by EuroDNS SA. company, a domain administrator of for .co & .nl. domains. Arbitrators selected from the same board as for disputes under the UDRP settle these litigations.

Specifics of domain disputes

Domains are registered on the principle of "First come, first served". The domain name has no legal claim, even if it is identical with a trade name, trademark, brand mark or other distinguishing mark. This "lack" of legislation opens the door to a variety of speculations regarding domain names and directly encourages litigations with outcomes that are also very complicated.

The registration of a domain name is relatively legally weak because a domain does not enjoy the same protections as a trademark or a trade name. The registrant has to take into account already existing protected institutes mentioned. In the event of violations that may occur, the person who owns the protected institute that is being violated by the conduct of the registrant, is granted the opportunity to seek protection of this interest, either through the general court or in the proceedings through the Arbitration Court.

According to the Arbitration Court, in the occurrence of confronting a domain name registration with an arbitration accusation by a third person, it is necessary to examine whether the holder is acting in terms of fulfilling the provisions of Article B11 (d) (1) ADR Rules and Article 21 (1) EC Regulation 874/2004, namely that:

1) a domain name is identical or interchangeable with a denomination, on which the national law of a Member State or Community Law recognizes and protects the right, and either

2) a domain name was registered by the defendant without the existence of rights to the domain name or without the existence of legitimate interest in domain name, or

3) a domain name was registered or is being used in bad faith.

When the court finds the cumulative fulfillment of the first and at least one of the other two conditions, it grants the applicant's petition (in the most common case) and decides to transfer the domain name to the plaintiff, or acknowledges compensation for damage to the plaintiff arising from unfair competition or infringement of trade mark rights by the defendant.

Dr. Petra Korejzova started her career in the field of industrial property in 1992, since 1995 she worked as a patent attorney specializing in Trademarks and since 2004 as an attorney at law.

She is authorized to represent the Clients in the Czech and Slovak Republics, being a member of Czech Bar Association, Slovak Bar Association, Chamber of Patent Attorneys and many international organizations (AIPPI, INTA, Marques, PTMG, ECTA, LIDC).

She holds a position of treasurer of the Czech National Group of AIPPI and LIDC, she is a member of the Council and Harmonization Committee of ECTA.

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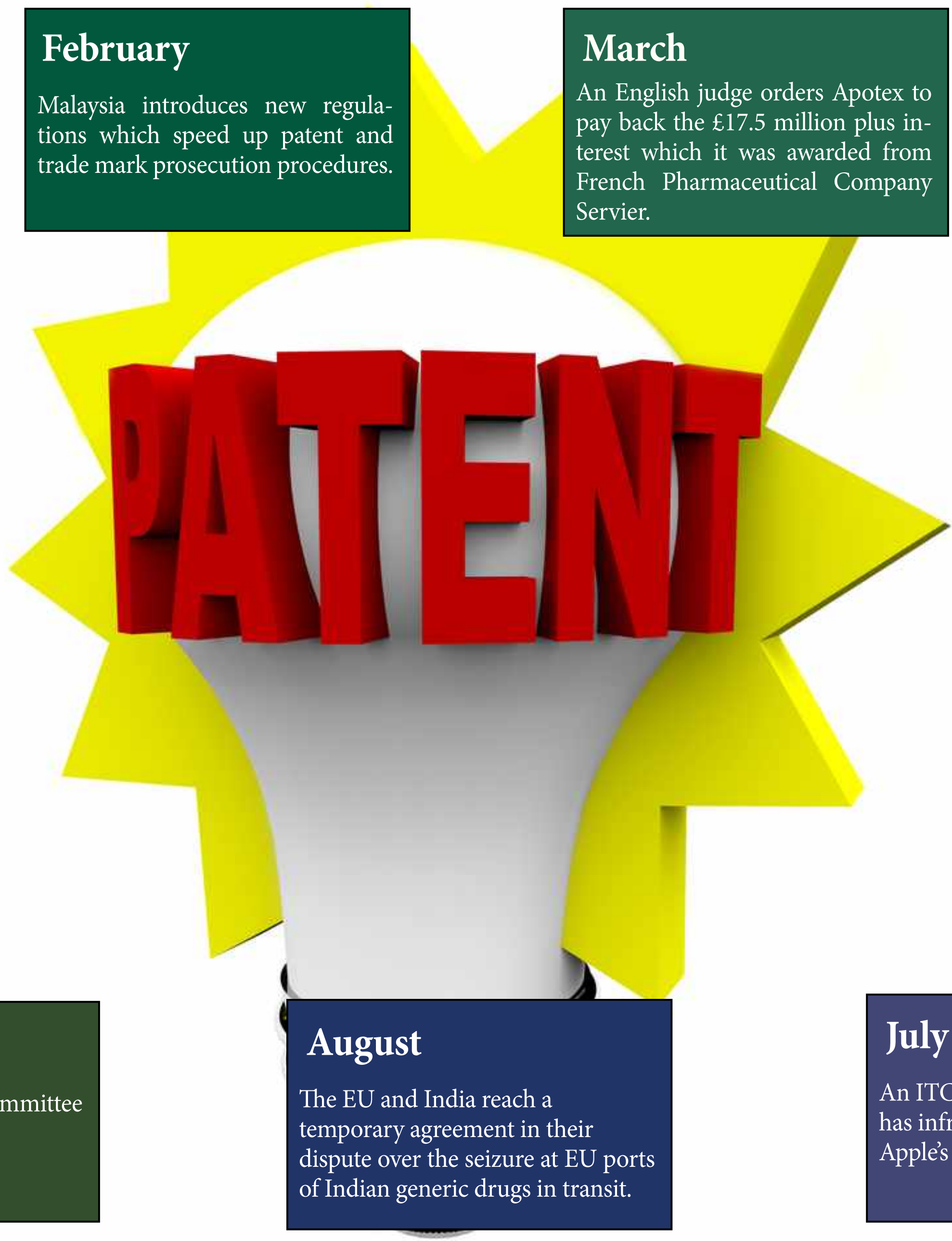
Snapshot – Patent Law 2011



January

New EPO rules come into play where applicants for European patents now have to supply the EPO with the search results from their priority applications.

February

Malaysia introduces new regulations which speed up patent and trade mark prosecution procedures.

March

An English judge orders Apotex to pay back the £17.5 million plus interest which it was awarded from French Pharmaceutical Company Servier.

April

Qualcomm is congratulated by WIPO for filing the 2 millionth PCT application.

May

RPX Corporation a defensive patent aggregator goes public with IPO.

June

A UK Court impose a cap of £500,000 in damages for patent and design disputes in the Patents County Court.

July

An ITC judge determines that HTC has infringed two out of ten of Apple's patents.

August

The EU and India reach a temporary agreement in their dispute over the seizure at EU ports of Indian generic drugs in transit.

September

An Australian Senate Committee reject ban on Gene Patents.

October

A judge in California indicates that Apple's design patent for the iPad could be invalid due to a prototype table which was designed in 1994.

November

Canada's Federal Court of Appeal rules that business methods are patentable in the Amazon 1-click case.

Is Your Company Ready for ".Anything"?

By Keith Barritt[1]

The Internet as we know it may soon be changing forever. From January 12, 2012 to April 12, 2012, the Internet Corporation for Assigned Names and Numbers (ICANN) is expected to accept applications for new generic "top level" domain names (gTLDs), which is the text to the right of the dot, where .com, for example, is now.

New top-level domains could be a generic term such as .shoe, a geographic term such as .nyc, or a trademark, commonly referred to collectively as ".brand" domains. Thus, under the new system, companies might be able to own domain names that consist of just their trademarks, without the .com. In addition, new gTLDs will be available in non-Roman scripts, such as Cyrillic, Chinese, or Arabic.

The cost of such new top level domain names won't be cheap. The filing fee alone is $185,000, with no guarantee the name will be awarded. The operating costs of running the registry for the new top level domain may also be substantial, depending in part on whether the public will be allowed to register "second level" domains (such as nike.shoe) or if the domain name space will be restricted to use by only one company (such as .nike).

Running a registry requires extensive technical capability and the costs of outsourcing this responsibility over the ten year commitment could reach into the millions of dollars. Thus, a new top level domain is not for everyone.

Who is ICANN?

ICANN was formed in 1998 in an effort to privatize the management of certain Internet resources and technical functions, shifting responsibility from the United States government.

ICANN operates without direct government control, taking input from numerous "constituencies" including domain name registrars (retail sellers), registries (who maintain and run the computers that manage the addressing of second level domains within the particular top level domain), Internet service providers, commercial and business owners, intellectual property owners, and noncommercial users, as well as governments.

ICANN has already overseen the addition of over a dozen new top-level domains, such as .biz, .info, and .travel. Most recently, .xxx was finally adopted after years of controversy and objections from the U.S. government and others, and litigation is now pending against ICANN's approval of this gTLD on antitrust grounds.

The new gTLD program that ICANN is now embarking on represents a dramatically ambitious expansion of Internet domain name space. ICANN says that it expects hundreds of applications in the three-month filing window, which opens in January 2012, and it has announced that it intends to introduce up to 1000 new gTLDs per year once the program is fully operational. For companies that already expend significant resources in developing their online brand strategies and enforcement policies, this quick and vast expansion of the Internet will have a tremendous impact on both their business and customers.

> *"under the new system, companies might be able to own domain names that consist of just their trademarks, without the .com"*

Why Is ICANN Expanding the Domain Name Space?

According to ICANN, expansion of the Internet domain name space will relieve domain name shortage problems, spur innovation, and create economic growth. Critics charge that ICANN, like the scientists who brought the dinosaurs back to life in Jurassic Park, has been too busy figuring out if it could be done without thinking enough about whether it should be done. Critics also point to the existing and largely unsuccessful gTLDs like .biz and .info as proof that there is no need for yet more gTLDs.

Organizations like the International Trademark Association have expressed concern for years about the inevitable and real costs to trademark owners in protecting their brands in the vastly expanded cyberspace and the confusion to consumers the rapid expansion will cause.

ICANN has asked these organizations for recommendations on these issues, but it remains to be seen how effective the new trademark and consumer protection measures as adopted by ICANN will be in light of the size and breadth of the proposed expansion of the domain name system.

Should You File for ".Brand"?

The decision to file for a ".brand" top level domain name cannot be taken lightly, considering the high cost and significant responsibilities involved.

Before rushing in to file, companies should consider whether they have the financial resources to operate as a registry for the new gTLD (and the requisite technical capability if they choose not to outsource that function). Companies should also consider the opportunity costs of filing for a new gTLD.

In other words, what else could that money and effort be devoted to that might be more beneficial to the company? In addition, if a company loses interest in running the gTLD after a few years, there is the risk that ICANN will "redelegate" the gTLD to another company, reducing the mark owner's control over its brand.

Most importantly, companies should consider how they would use a ".brand" domain name differently than their existing domain name. Most companies that have the financial resources to file for a ".brand" domain probably already have the .com version of their trademark as a domain name.

As Facebook and others have demonstrated, there is a lot that one can do with a .com domain name to give individuals their own space on the Internet. Is the "totally branded" experience of visiting a ".brand" domain website substantively any different than visiting the brand.com website?

How Can You Protect Your Trademarks?

Even if a company chooses not to file for a ".brand" domain, it must still be concerned about who might file an application for a new gTLD that is confusingly similar to its trademarks, and who might file for a second level domain within one of the potentially hundreds of new gTLDs.

For example, Nike needs to be concerned not only about someone else filing for .nike, but also who might seek to obtain nike.shoes, nike.sports, and nike.store.

The new gTLD program does have some protections for trademark owners both prior to and after launch. In addition, trademark owners will be able to enter certain marks into a new Trademark Clearinghouse, one of the recommendations supported by the International Trademark Association.

The owner of a mark in the Trademark Clearinghouse that is in current use will be eligible for preferential rights to an identical second level domain during a "sunrise" period required of each new gTLD prior to general availability of domains to the public.

In addition, for the first 60 days after general availability, the owner of a mark in the Trademark Clearinghouse will receive a notice if someone else registers a second level domain that is identical to the mark.

Finally, a new Uniform Rapid Suspension (URS) system will be implemented for all new gTLDs. Under the URS, trademark owners can suspend a domain for the remainder of the domain name registration period (plus one optional year upon payment of a fee). Ideally, the process will be quick and relatively cheap.

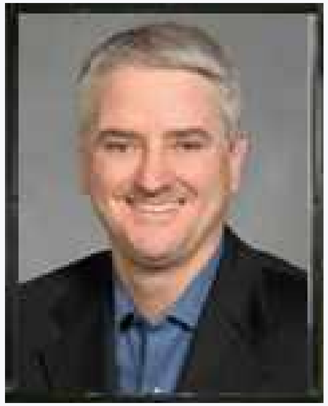
Conclusion

Trademark owners need to be ready for the almost certain arrival of new gTLDs in 2012 and beyond.

Whether the new gTLD program turns out to unleash mostly tame brontosauruses or out-of-control velociraptors that wreak havoc on the existing domain name system remains to be seen.

1: The author is a trademark attorney and principal in the Washington, D.C. office of Fish & Richardson P.C. He is also a current volunteer member of the Internet Committee of the International Trademark Association, and a former chair of INTA's "Whois" Subcommittee focused on access to domain name ownership information. Keith can be reached at barritt@fr.com.

The International Trademark Association (INTA) is a not-for-profit membership association dedicated to the support and advancement of trademarks and related intellectual property as elements of fair and effective commerce.



It is also a founding member of ICANN's Intellectual Property Constituency and continues to serve as a leading voice for trademark owners in the ongoing debate over the evolution of cyberspace.

Today, more than 5,900 trademark owners, professionals and academics are members of INTA. Members find value in INTA's global trademark research, advocacy work, and education and training.

Headquartered in New York City, INTA also has offices in Shanghai, Brussels and Washington D.C., and has representatives in Geneva and Mumbai.

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International Business Aspects of the New U.S. Patent Law

By Steven E. Warner & Kristina M. Mahoney

The 2011 Leahy-Smith America Invents Act ("AIA") was signed into law by United States ("U.S.") President Obama on September 16, 2011, making major changes to the patent laws in the U.S. Perhaps the most significant change is the move from a first-to-invent system to a first-inventor-to-file system. This modification and others in the AIA bring U.S. patent law more closely in line with the laws in foreign jurisdictions and, along with the 1995 changes resulting from ratification of the GATT treaty in the U.S., simplify global patenting strategies.

First-Inventor-to-File

The first-inventor-to-file system sets the filing date of an application as the priority date. Inventors can no longer "swear behind" publications or an earlier-filed application. One approach to dealing with this system will be to file provisional applications early and often. Subsequent applications can be filed as an invention is refined and developed. An inventor's disclosure up to one year before the filing of an application will not be considered to be prior art, and any disclosure of the same subject matter subsequent to the inventor's disclosure will also be disregarded.

Under the first-inventor-to-file system, interference proceedings to determine priority of invention will end. Instead, an applicant may institute a derivation proceeding to determine whether an earlier-filed application or a resulting patent was derived from a later-filed applicant. Derivation proceedings may be filed either in U.S. District Courts for issued patents or the United States Patent and Trademark Office ("USPTO") for applications. The USPTO proceedings must be filed within one year after an earlier-filed application is published, and the civil action must be filed within one year after a patent issues from the earlier-filed application. This one-year limitation on filing means that companies will need to diligently monitor U.S. publications and patents.

Pre-Issuance Submissions by Third Parties

The new law allows a third party to submit references to the USPTO along with a brief statement of the relevance. Pre-issuance submission of art will be less costly than a post-grant review. These submissions, however, need to be made by the later of six months after the application is published or before the first rejection of any claim by the USPTO.

Post-Grant Review Proceedings

The new post-grant review process is analogous to a European opposition. Once a patent issues, a request for post-grant review may be filed for the next nine months and the validity of the patent claims may be attacked on any grounds. The other, likely more expensive, option is to file a declaratory judgment of invalidity in a U.S. court.

Once a declaratory judgment action has been filed, however, a petitioner is barred from requesting a post-grant review. If a post-grant review is filed, all potential invalidity grounds should be included. When the USPTO issues a final written decision on the request, the post-grant review proceeding estops the requester from instituting any other proceeding attempting to invalidate the claims on any invalidity grounds that were raised or reasonably could have been raised in the post-grant review. This includes actions at the USPTO, in a filed civil action, or any filing in the United States International Trade Commission ("ITC").

In addition to the post-grant review process, the new statute creates an inter partes review process. The inter partes review process can only be filed after the post-grant review period is closed, or more than nine months after a patent issues or after a reissue patent is granted. The inter partes review request must be filed not more than one year after a suit alleging infringement has been filed. Additionally, no inter partes review will be granted if the petitioner filed a declaratory judgment action challenging the validity of the patent prior to the inter partes review request.

Unlike a post-grant review, the scope of an inter partes review request is limited to invalidity for either anticipation or obviousness based on prior art references.

The petitioner must show that there is a reasonable likelihood of unpatentability of at least one of the patent claims. As with the post-grant review, if a final determination is made with respect to the inter partes review, the petitioner will be estopped from raising these claims in any other USPTO action for invalidity or cancellation of the claims, or in a civil action or an ITC proceeding. An adverse inter partes review decision may be appealed to the Court of Appeals for the Federal Circuit.

Business Method Patents

The new statute sets up a transitional program that allows for post-grant review of business method patents that the owner has alleged are infringed. The program does not have the same estoppel effect as the normal post-grant review, and is not limited to first-inventor-to-file patents.

> *"patentable subject matter for business method patents has been restricted. The USPTO will not grant any business method patents for reducing, avoiding, or deferring tax liability."*

It will take effect on September 16, 2012, and will expire eight years later. Additionally, patentable subject matter for business method patents has been restricted. The USPTO will not grant any business method patents for reducing, avoiding, or deferring tax liability. This, however, does not apply to financial management methods if the methods are distinct from tax liability or methods for preparing a tax filing.

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Prior User Rights

Another significant development is the prior user rights provision. Prior user rights are a defense to a charge of patent infringement for manufacturing or commercial process patents. This provision may decrease the number of applications filed that are directed to manufacturing or commercial processes, and may increase the enforcement of trade secrets in this area. Historically, enforcement of patents for commercial processes was difficult. Even if infringement of the process could have been shown, competitors could move manufacturing processes offshore to avoid enforcement of the patent. The prior user rights provision not only allows corporations to avoid paying for defensive patents, but avoids potential infringement of any future patents on these processes.

Prioritized Examination

The new law provides a prioritized examination track for 10,000 applications per year. For an additional fee, applications with a limited number of claims can be filed under the prioritized examination track. The USPTO goal for final disposition of these applications is one year.

Best Mode

The statute continues to require the disclosure of the best mode, but the best mode requirement is no longer a way to invalidate a patent or claim.

Filing by Other than Inventor

If an inventor has assigned or is under an obligation to assign an invention, a corporation may now file an application for patent as the real party in interest. Additionally, if an inventor is under an obligation to assign but has refused to sign the necessary oath or declaration, the real party in interest may provide a substitute statement.

Joinder

The statute does not allow for joinder of defendants in an infringement action solely because both defendants have allegedly infringed the patent. In order to join multiple defendants, the patentee will have to show that there are questions of fact in common with the defendants.

Conclusion

Between increased filing of provisional applications and increased search and monitoring of patents and publications, the AIA may increase costs for businesses.

But harmonization of the U.S. system with international patent systems may make it easier and less expensive for corporations to obtain patents in multiple jurisdictions.

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Mr. Warner routinely lectures on intellectual property law matters for professional organizations such as the District of Columbia Bar, is chair of the firm's industrial equipment and manufacturing group and is a member of the firm's consumer goods, energy and semiconductor technology groups.

Prior to joining the firm, Mr. Warner was a Primary Examiner at the U.S. Patent and Trademark Office.

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Her practice focuses on pharmaceutical and chemical patent litigation. Ms. Mahoney served as the Associate Editor on the Tulane Law Review while in law school.

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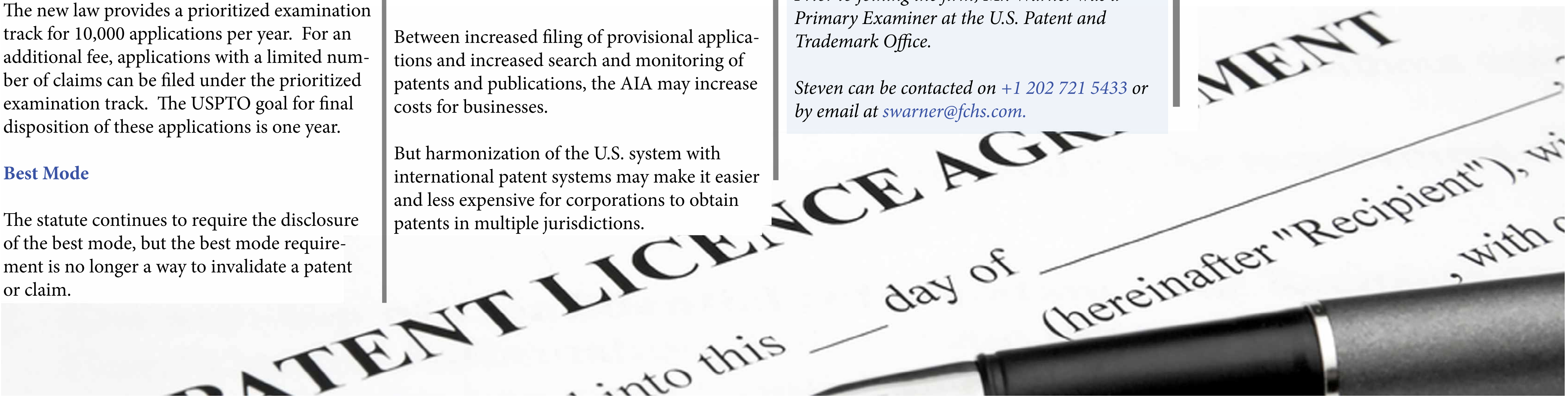

Caring for the Fruits of the Harvest: Intellectual Asset Management (IAM)

By Andrew J. Sherman

> *"Knowledge idle in a database is like food in a freezer.*
>
> *Nothing ever came out in better shape than it went in."*
>
> *Frances Cairncross, author of The Company of the Future*

Ask any farmer managing his crops or any CEO making her widgets whether he or she has a system in place to manage inventories and the person will look at you as if you are insane. Of course, either will respond, "How could we not have systems, processes, and protocols in place to protect, manage, track, and distribute our tangible assets?" To not have systems in place would be gross mismanagement and a travesty with respect to a manager's fiduciary obligations to shareholders. So why then, in a society driven by knowledge, brands, know-how, and intangible assets, do we not have the same disciplines and duties in place regarding assets that we can't necessarily touch and feel but that are clearly driving the lion's share of the market value for Apple®, Google®, IBM®, 3M®, Amazon®, Netflix®, and Priceline®? Why, at a time and place in our evolution when intangible assets are the key premiere drivers of revenue, opportunity, and profits, can leaders of companies not manage them like any other asset?

Cash is an asset, and we have CFOs, comptrollers, financial analysts, accountants, and clerks on hand to manage it. People are an asset, and we have chief administrative officers, HR managers, personnel specialists, and administrators to manage them. But, for the crops of knowledge, brands, systems, protocols, processes, know-how, show-how, channels, relationships, protocols, and best practices, we have no parallel positions on most organizational charts and no parallel systems to properly manage and extract value from these assets.

A few "enlightened" companies may have chief knowledge officers, but these are often glorified IT executives who apply principles of knowledge management (KM) to better manage and organize databases and perhaps gather internal best practices. Some truly progressive companies have chief innovation officers who are responsible for driving R&D and stimulating a creative culture, but these are often glorified HR executives or engineers who may understand either technology development or human performance and team work but rarely have cross-functional knowledge of both areas and who may be lacking experience in developing harvesting strategies.

We build organizational charts and allocate resources to departments as if we were still doing business in 1975 instead of leaning into the future and building a team and a business model that is ready for 2015 and beyond.

When I speak at business conferences around the world to companies of all sizes and in all industries and ask them whether they have an intellectual asset management (IAM) system in place, I am typically greeted with blank stares. When a few feeble hands go up, I then ask whether their IAM systems have been effective and yielded profitable opportunities, and even fewer hands rise.

When I ask whether their organizational chart has been retooled to reflect the transformational shift toward an intangible asset–driven economy, they look at me as if I just arrived from Mars. And, finally, when I ask them to name the person in the company who serves as the "CHIPPLE" (Chief Intellectual Property Protection and Leveraging Executive), they look at me as if I were from Venus. I am not aware of any extraterrestrial roots of my parents or grandparents, so I am pretty sure that I am not the one in the room at that point who is clueless and helpless.

How can we as leaders of companies and as fiduciary guardians of the entity's assets on behalf of our stakeholders continue to completely ignore the management and leveraging of our most important strategic assets? How long will it take for lawsuits to be filed against the boards and leaders of companies for the "gross under management and under leveraging" of the company's most important assets before we finally make this a top priority?

The time is now for companies of all sizes and in all industries around the globe to commit time and resources for the deployment of an effective multidisciplinary IAM system to properly cultivate, manage, and harvest intellectual assets. As stewards, guardians, and fiduciaries of the assets of the company, managers have a basic duty and obligation to maximize the value of these assets, especially in a post-Sarbanes-Oxley regulatory environment. IAM systems will help drive shareholder value and can be a key component of the due diligence focus of M&A and investment transaction.

What Is Intellectual Asset Management?

Intellectual asset management (IAM) is a system for creating, organizing, prioritizing, and extracting value from a company's various sets of intellectual property assets. The intellectual capital and technical know-how of a company are among its most valuable assets, provide its greatest competitive advantages, and are the principal drivers of shareholder value, yet rarely do companies have adequate personnel, resources, and systems in place to properly manage and leverage these assets. IAM, as a matter of strategy and competitive intelligence gathering, also involves monitoring certain developments in the company's marketplace, such as:

- Gathering intelligence on direct, indirect, and potential competitors
- Monitoring developments abroad
- Keeping one step ahead of a constantly changing landscape (20,000+ new patents issued per month—and that is just in the United States)
- Maintaining license agreements and streams of royalty payments on both an inbound and outbound basis (e.g., royalty audits to ensure against underreporting (outbound) and overpayments (inbound). Are you getting paid? Is there anyone you are paying that you shouldn't be paying? Are performance standards being

you shouldn't be paying? Are performance standards being met? Are you in relationships with the right parties? What could be done to strengthen existing relationships or distribution channels?

IAM also involves an understanding of how and where intellectual assets sit in the strategic parameters and food chain of the company. Three strategic views toward the use of intellectual capital have evolved in the boardroom over the past three decades.

1. Traditional view. IP assets enhance the company's competitive advantage and strengthen its ability to defend its competitive position in the marketplace; IP is seen as a barrier to entry and as a shield to protect market share (reactive and passive approach).

2. Current view. IP assets should not be used merely for defensive purposes but should also be viewed as an important asset and profit center that is capable of being monetized and generating value through licensing fees and other channels and strategies, provided that time and resources are devoted to uncovering these opportunities—especially dormant IP assets that do not currently serve at the heart of the company's current core competencies or focus (proactive/systemic approach).

3. Future view. IP assets are the premiere drivers of business strategy within the company and encompass human capital, structural/organizational capital, and customer/relationship capital. IAM systems need to be built and continuously improved to ensure that IP assets are used to protect and defend the company's strategic position in domestic and global markets and to create new markets, distribution channels, and revenue streams in a capital-efficient manner to maximize shareholder value (core focus/strategic approach).

CEOs and business leaders of companies of all sizes are often guilty of committing a serious strategic sin: failure to properly protect, mine, and harvest the company's intellectual property. This is especially true at many technology-driven and consumer-driven companies. The inversion of the ratio of tangible to intangible assets as a percentage of total company value has been dramatic.

In 1978, tangible assets (e.g., property, plant, equipment, inventory) made up approximately 80 percent of the value of a typical Standard & Poor's 500 stock index company. By 2002, this was reduced to 20 percent of the total value, and the numbers continue to drop, especially in a web-centric, virtual world. Today, for small-to-mid-size enterprises (SMEs), the ratio of intangible to tangible assets can be as high as 8 or 10 to 1.

The harvesting of intellectual capital is a strategic process that must begin with the taking of an inventory by the company's management team and qualified outside advisers in order to get a comprehensive handle on the scope, breadth, and depth of the company's intangible assets. In these times of distrust and disappointment by shareholders in the management teams and boards of publicly held companies, corporate leaders have an obligation toward these shareholders to uncover hidden value and make the most of the assets that have been developed with corporate resources.

The leadership of the company will never know whether it has a "Picasso in the basement" unless it both takes the time to inventory what's hiding in the basement and has a qualified intellectual capital inventory team capable of distinguishing between a Picasso and your children's art project. Once these assets are properly identified, an intellectual asset management system should be developed to ensure open communication and strategic management of these assets. At that point, the company is ready to engage in the strategic planning process to determine how to convert these assets into profitable revenue streams and new opportunities that will enhance and protect shareholder value. IAM helps growing companies ensure that strategic growth opportunities are recognized, captured, and harvested into new revenue streams and markets.

Building an Effective IAM System

Over the past few years, a wide range of global solution providers have stepped to the plate in an attempt to automate the IAM process. These software tools facilitate knowledge management, communication, collaboration, progress reports, resource allocation, management of outside advisers, infringement analysis, IP department operations reports, budgeting, business planning, benchmarking and metrics, reward and recognition programs, research and analytics, training and educational tools, and a wide range of related reports.

In selecting a vendor, develop a Request for Proposal (RFP) that is custom tailored to meet your company's needs and that complements other systems that you may already have in place. Interview key stakeholders and future users of these software and systems to determine their real day-to-day needs and ensure that you are not paying for a lot of features that are unnecessarily and will be grossly underutilized.

Some vendors offer basic intellectual asset property management (IAPM) packages, which focus on docket management and facilitate updates and communication between the company and its outside counsel on the status of and deadlines for various initial or renewal filings. As your portfolio of intellectual property grows, you will want to have this type of system in place at a bare minimum. But basic docket management software is the minimum baseline that a growing or established company needs to maintain and is limited to reports on the status of your intangible "inventory" at a given place or time.

Intellectual capital agrarians should put in place systems that are significantly more dynamic, robust, and proactive to drive shareholder value and uncover new opportunities.

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These systems are more likely to facilitate the kinds of cross-functional brainstorming, budgeting, collaboration, project awareness, resource allocations, monetization strategies, invention claim management and evaluation, competitive intelligence tools, licensing transaction overpayment (inbound/outbound), infringement analysis, and mapping that will not only ensure that opportunities are maximized but also help you avoid wasteful duplication of effort or misallocation of resources and reduce the risks of costly litigation.

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Mr. Sherman is a recognized international authority on the legal and strategic issues affecting small and growing companies.

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His twenty-third (23rd) book, Harvesting Intangible Assets, Uncover Hidden Revenue in Your Company's Intellectual Property, (AMACOM) is due out in the Fall of 2011.

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An Overview of the US Law of Trade Secrets and Confidential Information

By Steven M. Weinberg

HOLMES WEINBERG, PC

Among the most important assets of a company is its non-public competitively significant information and know-how. In today's fast-paced highly competitive marketplace, where opportunities are won and lost in blinks of an eye, having a protected competitive edge more often than not makes the difference between success and failure.

Trade secrets and confidential information frequently provide that competitive edge; however, as intangibles that can be easily transferred in electronic media, or merely remembered, they are vulnerable to being lost or misappropriated. For that reason, lawsuits against the unauthorized use or taking of trade secrets and confidential information have increased dramatically over the last few years.

The range of information included in this category of assets is fairly broad. It includes client lists and non-public information about clients; business plans; marketing plans and know-how; manufacturing know-how; inventions and discoveries; sales and marketing methods; and a variety of concepts and ideas.

Some of these may qualify for patent protection, and some may not. Some confidential information may qualify as being trade secrets and some may not. Whatever may be the category into which this information may fall, there is one constant – they must remain secret to be protected. The need to maintain secrecy cannot be understated. Under US law, concepts, ideas, data and information, no matter how novel or competitively significant, cannot be protected if they have been publicly disclosed.

Many companies, from start-ups to mature, make the mistake of not securing agreement from a recipient of valuable secret information before disclosure is made. In other words, getting a non-disclosure agreement in place from a recipient of the information after disclosure has been made will not reverse any use or public disclosure of the information by the recipient in the interim. Far too many "secrets" and thus business opportunities have been lost because of uncontrolled disclosure.

An unfortunately typical scenario is when what appears to be a legitimate business meeting takes place without the benefit of a non-disclosure agreement in place. Predatory companies interested in finding out about another's business plans or other secrets – and then using them -- will create scenarios where they can acquire this information under the ruse of what looks like a legitimate business opportunity.

Many companies hungry to do business may decide not to require a non-disclosure agreement believing that they can trust the recipient, only to find out later that this was a massive error. Or they believe that an oral non-disclosure agreement may suffice, only to encounter the recipient's denial that such agreement existed.

Another scenario relates to the misappropriation and use of secret information by former employees. The laws relating to post-termination covenants not to compete by former employees vary from state to state without the benefit of a uniform federal law.

In California, for example, non-competes for former employees are completely unenforceable. In many other states, non-competes will be narrowly construed by the courts, which require them to meet a number of exacting standards and limitations to withstand attack.

All of the states, however, will enforce covenants by former employees not to use trade secrets of their former employers if that agreement is in writing.

In states like California where non-competes of this kind are not valid, the only real leverage employers have to prevent competition by former employees is a prohibition on the post-termination use of trade secrets by them. Employee non-disclosure agreements therefore are critical in businesses whose competitive edge is tied to their secret information.

Not only is it important for employers to prevent secret information from leaving with former employees, it also is critical for them to know whether any new employees are subject to non-disclosure agreements or covenants not to compete with their former employers.

There is rapid employment turn-over in many industries, especially for higher ranking employees, including those at the C-level. In addition, the use of independent consultants for business and marketing strategy and R&D has become the norm.

All of these prospective new employees and contractors over the course of their careers have been exposed to third party trade secrets and confidential information; secrets and information that may be subject to enforceable non-disclosure agreements.

A best practice for every employer is to determine whether or not new employees or consultants are subject to such agreements and whether those agreements had termination dates.

"Under US law, concepts, ideas, data and information, no matter how novel or competitively significant, cannot be protected if they have been publicly disclosed."

Trade secrets and confidential information are valid as long as they remain secret and have commercial vitality, which means that some may last for generations, if not forever (the recipe for Coca-Cola as an example).

Far too many businesses have discovered by way of court action and a preliminary injunction that one or more of the people integral to the development of newly launched initiatives or their business used secrets or confidential information in violation of an enforceable third party non-disclosure agreement.

Trade Secrets

Many business people assume that all information they identify as being "proprietary and confidential" is protected under the law of trade secrets. The term "trade secret," however, has a specific meaning in the US, which derives from three primary sources –

(1) the Supreme Court's decision in Kewanee Oil Co. v. Bicron Corp., 416 U.S. 470 (1974) (adopting the definition in the Restatement of Torts § 757, comment b (1939), and holding that the patent law does not pre-empt the states from having trade secret laws);

(2) the Uniform Trade Secrets Act (the "UTSA"), which has been adopted by 45 states, including California, and

(3) the federal Economic Espionage Act of 1996. The definition of a "trade secret" both under the UTSA and the Economic Espionage Act is:

". . . . information, including a formula, pattern, compilation, program, device, method, technique or process, that:

(1) Derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and

(2) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy."

Under the UTSA, "misappropriation" of a trade secret is defined as including "(1) Acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (2) Disclosure or use of a trade secret of another without express or implied consent by a person who:
(A) Used improper means to acquire knowledge of the trade secret; or
(B) At the time of disclosure or use, knew or had reason to know that his or her knowledge of the trade secret was: (i) Derived from or through a person who had utilized improper means to acquire it; (ii) Acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (iii) Derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use…." Cal. Civ. Code § 3426.1(b).

California courts have "equated acts of solicitation with 'use' or 'misappropriation' of protected information." Morlife, Inc. v. Perry, 56 Cal. App. 4th 1514, 1524 (1997).

The UTSA creates a private cause of action for trade secret misappropriation. The Economic Espionage Act makes trade secret misappropriation, or the conspiring to engage in such activity, whether for assisting foreign governments or as an act of industrial espionage, a criminal offense with fines and imprisonment as penalties that the Department of Justice can prosecute, even if such acts occur outside the USA. A recent example of how the federal courts will treat trade secret misappropriation by former employees under the UTSA is a case handled by this firm, representing the plaintiff.

In Language Line Services, Inc. v. Language Services Associates, Inc., Case No. CV 10-02605-JW in the Northern District of California, two former employees electronically misappropriated a compilation consisting of the non-public list of plaintiff's 1200 largest customers and financial and other competitively valuable information about each customer.

The court granted a preliminary injunction prohibiting the defendants and their new employer, a direct competitor of plaintiff's, from communicating in any way with any of the customers listed in the compilation with a narrow exception for entities with which the defendant had a contractual relationship prior to the misappropriation. The injunction was issued without a bond.

Confidential Information

While the UTSA preempts all common law claims that are based on misappropriation of a trade secret, confidential information that does not qualify as a trade secret nonetheless may be protected under some state contract and tort laws.

For example, in California, if original (but not necessarily novel) concepts or ideas are disclosed under an agreement of confidentiality with the understanding that the use of that intangible property by the recipient would require compensation to its owner, the owner may obtain redress under theories of conversion or quasi-contract/unjust enrichment. These types of claims most often are seen in the entertainment industry, where a plaintiff claims to have disclosed the idea of a new television show or film or promotional campaign in confidence, but was not compensated for its use by the recipient. These claims are becoming more successful, not only in entertainment, but in technology and other industries.

Summary

Businesses need to ensure that their confidential information is protected against misappropriation and that they are not setting themselves up for claims by competitors or others. Developing and enforcing policies governing these issues has never been more important.

Holmes Weinberg, PC, headquartered in Malibu, California, was founded by Henry Holmes and Steven Weinberg, veterans in entertainment, intellectual property and social media/technology law with more than 30 years' experience each. Our clients include major corporations, entrepreneurs, athletes, celebrities and other people and companies in the entertainment, advertising, consumer products, communications and digital media industries.

We offer them the perfect blend of legal representation: expertise in entertainment, branding, trademark, copyright, advertising, digital media and business law; savvy counsel on creating new business opportunities; and aggressive protection and enforcement of brands and intellectual property rights globally. Our mission is to make it possible for our clients to reach their fullest potential.

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Highlights of the America Invents Act (AIA) for U.S. Patent Practitioners and Inventors/Clients

Dobrusin Thennisch

By Eric Kurtycz

By this point in time, it is safe to say that about every U.S. patent practitioner is aware that there has been a major change in U.S. patent law in the form of the "America Invents Act". Inventors/Clients should be cognizant of the fact that the Act has the potential to bring some major changes to the U.S. patent system and should seek out the advice of their respective patent counsel on how these changes may affect them.

In an attempt to highlight some of the larger aspects of the act and give a broad overview, a brief summary is provided below. Although some portions of the law have already gone into effect (as of September 16, 2011), other portions will be phased in over the next couple of years. The complete statute is available for download from the U.S. government at the following website: http://www.govtrack.us/congress/billtext.xpd?bill=h112-1249

First to File System:

The United States is moving to a first-to-file system instead of a first-to-invent system (effective March 16, 2013). This puts the U.S. in closer alignment with rest of the world in determining priority of invention based on the earliest date a patent application was filed with a patent office.

Derivation Proceeding:

With the AIA, interference proceedings will no longer be used and a new procedure (a derivation proceeding) will replace it (effective March 16, 2013). According to the USPTO, a derivation proceeding is a new trial proceeding conducted at the Board to determine whether (i) an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application, and (ii) the earlier application claiming such invention was filed without authorization. An applicant subject to the first-inventor-to-file provisions may file a petition to institute a derivation proceeding only within 1 year of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention. The petition must be supported by substantial evidence that the claimed invention was derived from an inventor named in the petitioner's application.

Post Grant Review (PGR):

There will be a new system for challenging the validity of patents, the "post grant review". The time to file a petition under this new system is very limited (e.g. within 9 months of patent grant) and has unique rules and procedures. For patent challenges after the PGR time has lapsed, a new Inter Parties Review system may be utilized. According to the USPTO website, the PRG is a new trial proceeding conducted at the Board to review the patentability of one or more claims in a patent on any ground that could be raised under § 282(b)(2) or (3). The PGR process begins with a third party filing a petition on or prior to the date that is 9 months after the grant of the patent or issuance of a reissue patent. The patent owner may file a preliminary response to the petition. A post grant review may be instituted upon a showing that, it is more likely than not that at least one claim challenged is unpatentable. If the proceeding is instituted and not dismissed, a final determination by the Board will be issued within 1 year (extendable for good cause by 6 months).

Prioritized Examination:

The USPTO will be authorized to proceed with a program for a fee-based prioritized examination, which may be a useful tool for clients who are interested in an expedited examination for particular patent applications. This will cover applications for original utility or plant patents, and has already taken effect. At the outset, only 10,000 applications will be accepted in any fiscal year. Accordingly, space in this program may be limited, and it may be best to apply for this program earlier in the fiscal year. The stated goal of this program is to provide a final disposition within twelve months, on average, of prioritized status being granted. Of note, for nonprovisional utility applications, users of this program must be able to access EFS-Web. For plant applications, requests for this program must be paper filed. A full guide for this program is available at: http://www.uspto.gov/aia_implementation/track-1-quickstart-guide.pdf

Patent Marking:

Marking your products with patent numbers is now easier. The marking rules now include "virtual marking" which allows the product to refer to a company website for additional information on which patents cover the given product. Additionally, the act expressly states that it is not false marking to mark a product with an expired patent that covered that product.

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Micro Entities:

AIA introduces a new definition and segment of applicants, namely micro entities (effective September 16, 2011), that are distinct from the segment known as small entities (as provided for under 35 U.S. C. § 41(h)(1)). Basically, a micro entity will receive a 75% discount on some fees, as compared to the 50% discount available to small entities. The AIA defines a micro entity as an applicant who certifies that he/she:

- Qualifies as a small entity;

- Has not been named as an inventor on more than 4 previously filed patent applications;

- Did not, in the calendar year preceding the calendar year in which the applicable fee is paid, have a gross income exceeding 3 times the median household income; and

- Has not assigned, granted, or conveyed (and is not under obligation to do so) a license or other ownership interest in the application concerned to an entity that, in the calendar year preceding the calendar year in which the applicable fee is paid, had a gross income exceeding 3 times the median household income.

Please note that this article is intended to only provide a brief summary of the major points of the America Invents Act and that we recommend that you review the act yourself, take advantage of the numerous seminars available, or contact qualified patent counsel.

Dobrusin Thennisch, PC represents clients in all aspects of domestic and foreign patent, trademark and copyright matters, with a focus on materials, chemical and mechanical patents, as well as advertising and entertainment law. Our experienced attorneys facilitate a sustainable competitive advantage for market and technology leaders around the world.

The firm provides strategic intellectual property law expertise and personalized client service that educates clients with the necessary tools for leveraging intellectual property to further their business objectives.

We also work with progressive-oriented clients, from emerging to Fortune 500 companies, to develop effective product development marketing strategies and to provide strategies for effective development of internal intellectual property policies.

Eric R. Kurtycz is currently registered before the State Bar of Michigan, the Federal District Court and the U.S. Patent & Trademark Office.

Mr. Kurtycz joined Dobrusin & Thennisch PC in 2006. Mr. Kurtycz has almost 20 years of Automotive Industry experience, working in a range of Engineering and Management roles for both OEM and Tier companies which included: Ford Motor Company, Lear Corporation and Dow Automotive. As an inventor, Mr. Kurtycz has nine issued patents, primarily in the field of structual seat components.

Currently, Mr. Kurtycz is involved in preparing and prosecuting patent and trademark applications with the U.S. Patent and Trademark Office, performing prior art searches and writing patentability opinions, formulating freedom to operate opinions, due diligence contract reviews and other intellectual property matters.

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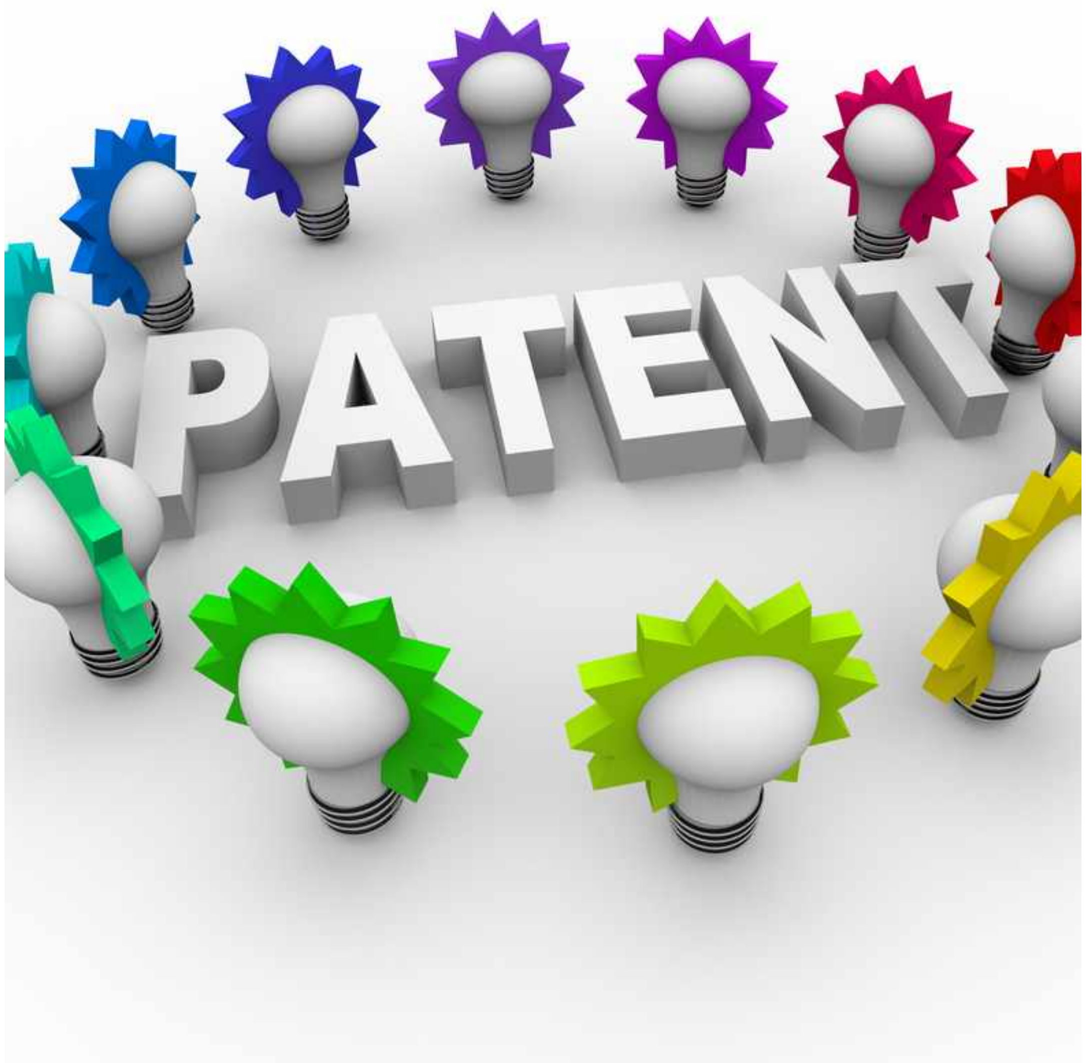

Federal Court of Appeal weighs in on business methods

NORTON ROSE

By Brian W. Gray, Adam B. Haller & Allyson Whyte

On November 24, 2011, the Federal Court of Appeal released its highly anticipated decision in the case of Amazon.com's so called 'one-click' patent.[1] The Federal Court of Appeal set aside the decision of the Trial Judge and referred the case back to the Commissioner for expedited re-examination in accordance with its reasons.

Background and Judicial History

The Commissioner of Patents rejected the claims of Amazon.com's patent application for a process and system allowing visitors returning to a website to purchase an item in "one-click" without having to re-enter payment and shipping information. The rejection was on the basis that the patent did not claim an "invention" as defined in section 2 of the Patent Act[2].

At trial, Justice Phelan found that the Commissioner had erred in a number of respects in particular by: (i) adopting a restrictive definition of 'art' that relied too heavily on the physicality of an invention; (ii) relying on a categorical rejection of business method patents in Canada; and (iii) departing from the basic principles of purposive claim construction by looking past the language of the claims to the "substance" of the claimed invention.

The Trial Judge found that the claimed invention was not merely a scheme but was the practical application of the one-click concept put into action to achieve a commercially applicable result and was therefore patentable.

Reasons of the Federal Court of Appeal

In setting aside the Trial Judge's findings, the Federal Court of Appeal provided clarification to the tests applied by the Commissioner of Patents in determining the question of patentable subject matter.

No scientific or technological requirement

The Court rejected the suggestion that patentable subject matter must be scientific or technological in nature (except in so far as this distinguishes such patents from the fine arts or works of art that are inventive only in an artistic sense); the use of such an unclear and confusing "tag line" is unhelpful and should not be used as a "stand-alone basis" for distinguishing patentable from un-patentable subject matter.

> *"The Court held that there is no basis in law to suggest that a business method cannot be patentable subject matter in Canada."*

No per se exclusion for business methods patents

The Court held that there is no basis in law to suggest that a business method cannot be patentable subject matter in Canada. Nevertheless, the Court rejected the notion that a business method that is not itself patentable subject matter because it is an abstract idea, can be rendered patentable subject matter by virtue of having a "practical embodiment" or a "practical application".

A patentable art must cause a change in the character or condition of a physical object

The Court also held that patentable subject matter must be something with physical existence, or something that manifests a discernable effect or change.

This "physicality requirement" will necessarily evolve with technology, however, it cannot be met by claims that simply contemplate the use of a physical tool or a computer to give what would otherwise be a novel mathematical formula, for example, a practical application.

The considerations outlined above are to be analyzed under the framework of a purposive construction of the subject matter defined by the claims taking into account the relevant art and the state of the art at the relevant time.

According to the Federal Court of Appeal, this will ensure that the Commissioner is "alive to the possibility that a patent claim may be expressed in language that is deliberately or inadvertently deceptive" in that, "what appears on its face to be a claim for an 'art' or 'process' may, on a proper construction, be a claim for a mathematical formula and therefore not [constitute] patentable subject matter."

The Court held that the Trial Judge's "practical application" approach could not form the basis of a distinguishing test for patentability, and that a proper determination would depend on a purposive construction of the application at issue. Finding that the record did not allow the Court to conduct its own reading of the patent claims in light of the state of the art, the Court referred the matter back to the Commissioner of Patents to re-examine the patent in light of the Court's judgement.

The parties have 60 days from the date of the decision to seek leave to appeal to the Supreme Court of Canada.

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Mr. Gray's practice focuses on litigation and dispute resolution in patent, copyright, trade-mark and advertising matters. He counsels clients with patent and trade-mark portfolios and is involved in resolving patent, trade-mark and copyright disputes.

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He has taught patent and trade-mark law at the University of Toronto and has taught copyright law at McGill University.

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1 - Canada (Attorney General) v. Amazon.com, Inc. et al., 2011 FCA 328 (F.C.A.).

2 - R.S., 1985, c. P-4.

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She frequently appears in the Federal Court, at both the trial and appellate levels in patent litigation relating to financial services, life and health sciences (pharmaceutical compounds, biotechnology and medical devices), as well as litigation related to trade secrets, copyrights, trade-marks and trade libel as well as damages actions under the Patented Medicines (Notice of Compliance) Regulations.

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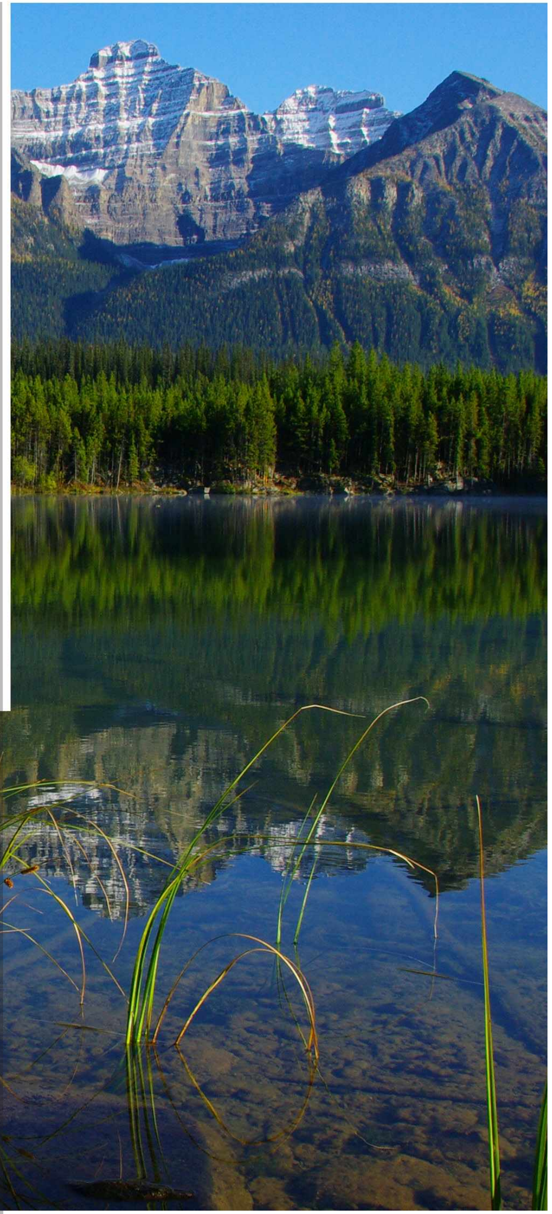


Marketing Innovative Drugs in Canada

By Daphne C. Lainson

Canada is seeing a surge in small to mid-size pharmaceutical companies marketing directly in Canada. Canada's public payer system and broad access to healthcare make it an attractive market, as does its proximity to the U.S. border.

While companies are exploring the "Great White North", it is important not to be caught out in the cold on some market basics. Key factors for marketing a new drug in Canada are data protection, patent protection and enforcement, and drug pricing. Innovators should understand each of these factors well before launch to protect their investment.

Regulatory Approval: Notice of Compliance

The usual gateway to the Canadian market is a Notice of Compliance (NOC): the marketing authorization for new human or animal pharmaceuticals, and for human biologics. An NOC is issued by Health Canada following an acceptable drug submission; e.g., an innovator's new drug submission (NDS) or a generic's abbreviated version (ANDS).

Data Protection

Once approved, new chemical entities or biologics may benefit from data protection. Data protection applies where the first NOC for an "innovative drug" is granted on or after June 17, 2006.

An "innovative drug" is a drug that contains a medicinal ingredient **not previously approved** in a drug by the Canadian Minister of Health and that is **not a variation** of a previously approved medicinal ingredient such as a salt, ester, enantiomer, solvate or polymorph.

The data protection term comprises: a **6-year data protection period** and a further **2-year period of market exclusivity** (2½ where certain pediatric studies are timely conducted), from the date of the first NOC. During the 6-year period, a subsequent entry manufacturer cannot file a drug submission making a direct or indirect comparison to the innovative drug (e.g., an ANDS), and Health Canada cannot grant an NOC for the subsequent entry product until the period of market exclusivity expires.

The data term cannot be extended, and supplementary terms cannot be obtained based upon supplemental drug submissions or drug submissions filed for a new product where the new product comprises a combination of previously approved medicinal ingredients. It is only where one of the medicinal ingredients in a combination is an innovative drug that data protection would apply.

Data protection may be lost where an innovator stops marketing.

Data protection is independent of patent protection.

Data protection should be automatic for an innovative drug. Nonetheless, innovators should request data protection at the time of filing their NDS.

Patent Procurement and Enforcement

Patent procurement is generally procedurally less complex in Canada than many other G-7 countries, and typically less expensive.

However, it can take a long time to obtain a patent, unless managed correctly. This can often be accomplished using expedited procedures.

Canada has no patent term extension or restoration, nor supplementary protection certificates. The term is a **fixed 20-year term** from the filing date for patents issuing on applications filed on or after October 1, 1989.

A patentee (or its licensee) can enforce a patent against a non-licensed third party "infringer" in court. A patent infringement trial can take two years or more from commencement to conclusion. During that time, it is unlikely that the patentee will be able to obtain a court order preventing the infringer from selling its product.

For pharmaceutical and biologic products, there is another option for patent enforcement under the Patented Medicines (Notice of Compliance) Regulations ("NOC Regulations").

The NOC Regulations link regulatory approval for a subsequent entry product to an innovator's patent status in situations where the subsequent entrant is comparing or relying upon the innovator's submission to enable it to file a reduced data package (e.g., an ANDS).

Under the NOC Regulations, a subsequent entrant cannot obtain a NOC until it has addressed all patents listed on the Patent Register as of the date the subsequent entry submission is filed. For each listed patent, the subsequent entrant must either accept that its NOC will not grant until the patent expires, or notify the innovator that the patent is not a bar, because, for example, it does not infringe or the patent is invalid.

Patent listing is the innovator's responsibility. An innovator must submit the appropriate forms **together with** its related drug submissions, or **within 30 days after patent grant**. These deadlines are **inextensible**; late listing is not possible. Patents are only eligible for listing if they have a filing date before the related drug submission, and if they claim the approved medicinal ingredient, formulation, dosage form or use.

If the innovator receives notice from the subsequent entrant, it will have 45 days to commence a court proceeding for review of the merits of the subsequent entrant's allegations. Where a court proceeding is commenced, Health Canada cannot grant the subsequent entrant a NOC for a period of **up to 24 months**. If the innovator is successful, the subsequent entrant will not be able to obtain a NOC until **patent expiry.** If unsuccessful, then a NOC can grant immediately, assuming that safety and efficacy has been established.

Proceedings under the NOC Regulations do not finally decide issues of infringement or validity, but only whether the allegations of the subsequent entrant are justified. A patentee that is not successful under the NOC Regulations may therefore go to court to enforce the patent in an infringement action, or an unsuccessful subsequent entrant may go to court to have the patent invalidated.

Drug Pricing

The price a patentee or its licensee can charge for its drug may depend on whether the drug is patent protected.

The Patented Medicine Prices Review Board (PMPRB) is responsible for reviewing and determining whether a price of a patented medicine is excessive based upon a number of factors, including the price at which the drug or similar drugs have been sold domestically or in foreign markets.

The PMPRB expects patentees to file a notice of intention to sell a patented medicine in advance of any sales. However, the patentee or its licensee must make its first reporting to the PMPRB within seven days after (a) the first offer for sale of the medicine in Canada or (b) issuance of the first NOC, whichever is earlier. There are also subsequent, periodic reporting obligations.

If the patented invention pertains to a medicine, then the jurisdiction of the PMPRB is engaged. This nexus is very broad, and encompasses non-commercial formulations, dosage forms, uses, processes and intermediates, for example.

The jurisdiction of the PMPRB is engaged when a patent grants. However, if there are sales of the drug prior to patent grant and after the patent application becomes public, then the PMPRB will take jurisdiction over these sales.

If the PMPRB finds that the price of a medicine is excessive, it can order the patentee or its licensee to lower the cost of the drug, pay compensation to the government and/or to lower the price of another drug to offset excessive revenues.

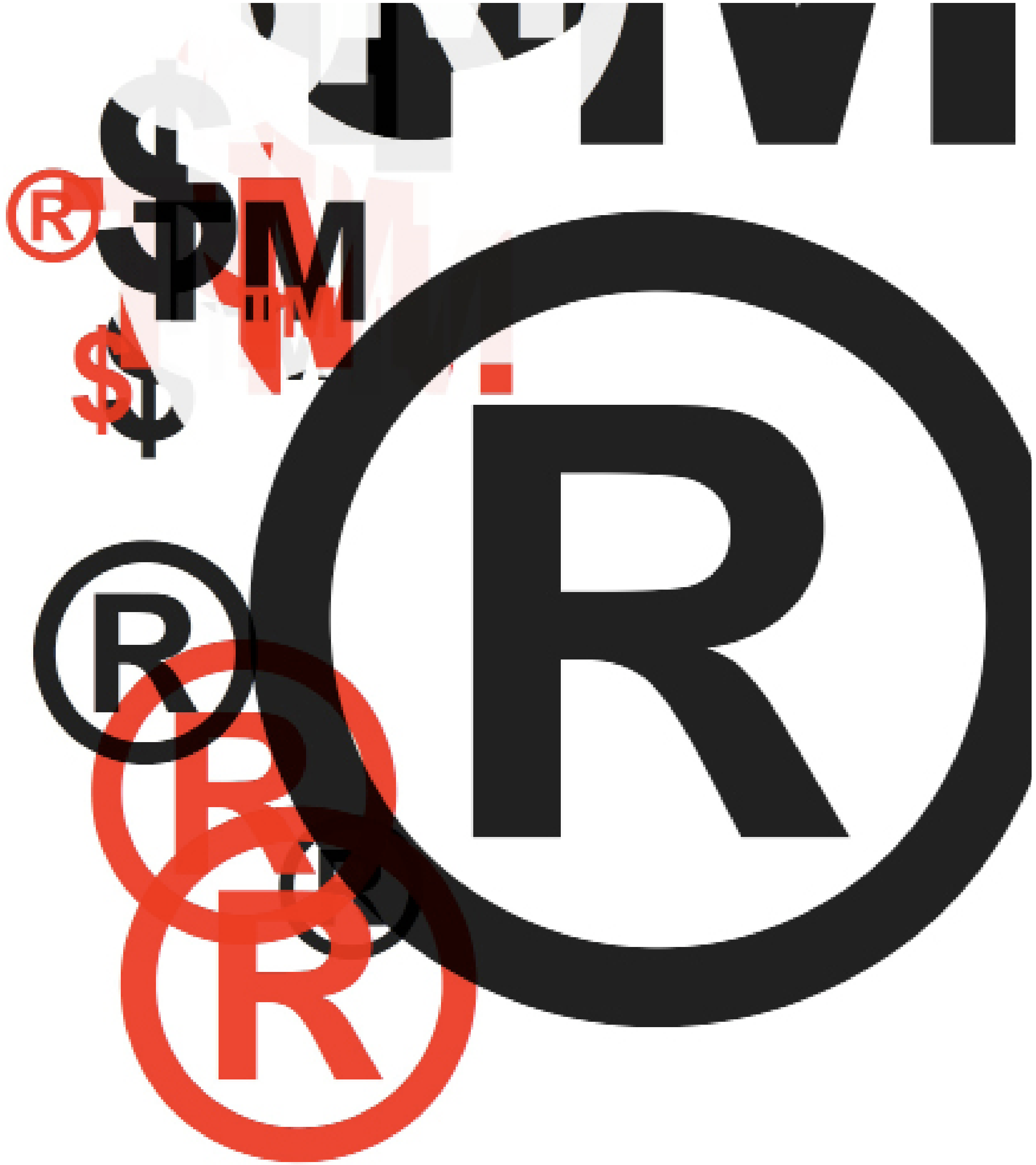
Concluding Remarks

There is an obvious interplay between data protection, patent procurement and enforcement and drug pricing. Central to each of these issues is when a patent application and drug submission are filed, and when a patent grants and approval is obtained. Coordination is key, so ask questions early and be ready!

Daphne Lainson is a partner in the Ottawa office of Smart & Biggar/Fetherstonhaugh. She has been assisting clients with securing patent protection for their innovations for over a decade.

Her work specializes in the fields of chemical and biotechnology inventions, including pharmaceuticals, biologics, consumer products, agrochemicals, specialty chemicals, industrial chemical processes, and oil, gas and petrochemicals.

Specifically, she is able to advise clients in the pharmaceutical sector on matters involving issues of pharmaceutical regulatory law, including providing strategic advice during patent prosecution and following patent grant for both pharmaceuticals and biologics. Daphne can be contacted on +1 613 232 2486 or by email at dclainson@smart-biggar.ca



Snapshot – Trademark Law 2011

January

China releases opinion that clarifies the handling of criminal cases involving infringement of intellectual property.

February

Australia's Registrar of Trade Marks rejects a decision to trade mark the colour white for juice bottles.

March

Fashion designer Vivienne Westwood wins a trade mark and copyright infringement case against an internet retailer, the case was the first ever conducted under new rules in London's Patents County Court.

April

A British man is sentenced to eight years in prison for supplying counterfeit medicines to pharmacies across the UK.

May

A German Company has twelve patents revoked by its Indian subsidiary and loses control over its trade mark.

June

Toys "R" Us secures a permanent injunction against US based Smokes R Us.

July

Apple's attempt to stop Amazon from using the term app store is denied by the US District Court for the Northern District of California.

August

Samsung is barred from distributing its Galaxy tablet to certain European countries as a result from legal action by Apple.

September

An Australian Court finds that Google's key word advertising does not constitute misleading or deceptive conduct.

October

Basis files a suit against Research in Motion's new BBX operating system claiming it infringes its software-development product trade mark of the same name.

November

American Express stop the Black Card credit card company's trade mark registration for the term BlackCard.

General Intellectual Property in China

By Wubin Yan

China is a member of Berne Convention, WIPO Copyright Treaty, PCT Treaty, Paris Convention, Madrid Agreement for International Registration of Trade Marks and its Protocol, WTO, Phonograms Convention, Patent Cooperation Treaty, UPOV Convention, Washington Integrated Circuits Treaty and TRIPs Agreement and has its comprehensive legal system to protect Intellectual Property "IP".

Compared to other countries, China IP legal system is quite young. The Trademark Law, Patent Law and Copyright Law only came into force in 1982, 1984 and 1990 respectively. Although the IP history is not long, China's government actively protects IP rights and timely amends the laws to keep close pace with world trends and properly balance the interests between IP owners and the public. After the 3rd amendment of China Patent Law in 2009, the 2nd amendment of China copyright Law in 2010, the 3rd amendment of China Trademark Law is now under discussion which mainly concerns the following issues and expects to take effect sometime in 2012:

- Signs for sounds and colours will be allowed to be registered as trademarks.

- Only entities holding prior rights and interested parties, instead of any entity, shall have the right to file an opposition against a trademark.

- Multi-class filings will be implemented.

- Cross-class protection will apply to the marks bearing strong distinctiveness and a certain level of fame.

- Where a trademark being applied for registration is identical or similar to another's trademark with prior use for identical or similar commodities in China, and the applicant knows the existence of the other's trademark due to its contractual or business relationship with the other party or geographical reason, the applied for trademark shall not be accepted.

- The amount of statutory damage will be increased from RMB 500,000 to RMB 1,000,000.

- Evidence proving the usage of the registered mark within the prior three years and other related evidence shall be provided when the owner of a registered trademark claims compensation.

- Heavier penalties will be imposed on infringers who conduct infringing activities twice or more repeatedly within five (5) years.

Besides the general practice, China has the following distinguishing characteristics on IP:

1. Utility model

There are 3 types of patents in China, i.e. invention patent, utility model ("UM") patent and design patent. Unlike invention patent, utility model application only subjects to formality examination and it is granted without substantive examination on novelty and inventiveness etc. However, UM patent owner is also entitled to enjoy exclusive right of the patented technology and enforces its UM patent right to stop the infringement. There is no much difference on the enforcement between the invention patent and UM patent in respect of the procedure and compensation.

The slight distinction is that a Patentability Assessment Report issued by the China State Intellectual Property Office ("SIPO") is required at the time of commencing the enforcement and the suspension may happen during the procedure if the counterparty challenges the validity of the UM patent. According to the statistic disclosed in SIPO's website, more than 99% UM applications are filed by the China domestic applicants who take full advantage of UM system to protect the product with short marketing life as the duration for UM patent is 10 years from the filing date. One issue should be noted is that the subject matter of UM application must be a product having definite shape and structure, and occupying a certain space.

All the processes (i.e. the manufacturing processes, methods of use, method of communication, computer programs or the method of applying a product to specific purpose) and the object which exist naturally and are not made by man (i.e. substance or material in gaseous state, liquid state, powder state or particle state) cannot be protected by the UM patent. A litigation which is conducted between Chinese plaintiff, CHINT and SCHNEIDER Electric Low Voltage (Tianjin) Co., Ltd. (SELV) - a joint venture of SCHNEIDER Electric has completely reflected the value of UM patent. The Plaintiff CHINT uses it UM patent to award the highest damages in China patent history.

2. Administrative remedy

Other than the regular judicial remedy, IPR owner may stop the IPR infringement through administrative remedy in different administrative authority, for example, Local Administration of Industry and Commerce is responsible for trademark infringement and anti-unfair competition, local Intellectual Property Office is responsible for patent disputes, local Copyright Bureau is responsible for copyright infringement. Compared to the judicial remedy, the administrative remedy is very efficient especially for trademark and copyright infringement as the administrative authority shall take raid action against the infringer shortly after the IPR owners file a complaint and there is no official cost or very low cost for such action.

Furthermore, formality requirement of the evidence is much lower than the civil remedy. For example, IPR owners needn't do the notarized purchase to prove the acts of infringement. During the raid action, the administrative authority has right to seize the counterfeiting products, collect the evidence ex officio, check the documents relevant to the counterfeiting and interrogate the infringer etc.

The disadvantage of the administrative remedy lies in that the IPR owner cannot secure order for compensation. The administrative authority has no power to force the infringer to compensate the damage. The IPR owners have to rely on judicial remedy to get the compensation. As the evidence collected during the administrative raid action can be used in the Court proceedings, it is a strategy to take administrative remedy as the start off for judicial one.

3. Customs protection

China Customs take active measures to stop not only the import of goods infringing IP Rights but also stop the export of infringing products. There are 2-mode enforcement by Customs, i.e. initiative mode and passive mode.

The initiative mode refers to the action on Customs own initiative. That means the Customs notify the IPR owner in writing when they discover the goods suspected of infringing any IPR on record.

The passive mode refers to the action take upon request by the IPR owner. That means the IPR owner files an application with Customs and requests Customs to take action against any suspected infringing goods. As China is one of the major manufacturing centers, the recordal of IPRs with Customs is one of efficient ways to stop the export of counterfeiting products from China.

4. Hong Kong, Macau and Taiwan

Although Hong Kong, Macau and Taiwan are an integral part of China, the patents and trademark rights obtained in Mainland China cannot automatically extend to these regions. An independent registration must be conducted.

As Hong Kong and Macau do not have resource to make substantive examination for Patent applications, it depends on the grant of patents in Mainland China (and also the UK and the EPO designating the UK), and requires simple 2 step registration.

However, Taiwan is capable of conducting substantive examination on patent applications independently. One issue to be noted is that Taiwan is not a member of PCT treaty and the PCT international application cannot enter Taiwan directly either through China State Intellectual Property or Taiwan Patent Office. The application must be filed in Taiwan before any publication.

Wubin Yan is a director of Ella Cheong (Hong Kong and Beijing). Her technical background is biochemistry. She qualified as a patent attorney in 2000 and as an Attorney-at-Law in 2002.

Wubin is involved in all aspects of intellectual property, in patents, trademarks, copyright, domain name disputes and unfair competition in China. This includes patent and trademark prosecution, opposition, re-examination, invalidation, appeal, license, infringement, as well as raid actions.

She has worked in China and Hong Kong and her working languages are English and Chinese.

We hope this article has provided readers with an idea and general concept of IP in China.

Please feel free to contact us through yanwb@ellacheong.com or echk@ellacheong.com or at +852 2810 0558 to reach our Hong Kong office and +86 10 8225 5655 to contact our Beijing office.

IP in Taiwan

道法法律事務所
DEEP & FAR Attorneys-at-Law

By C.F. Tsai

The intellectual property legislation in Taiwan is quite stable since the congress always finds evergreen hot topics to debate or fight together so that it is uneasy to enact an amended law, but nonetheless has been revised several times since 1949 to adapt it to the advanced legislation's in the major industrialized countries. Nevertheless, the Taiwan IP Office is prone to revise its regulations frequently, which needs no legislation before the congress, in order to better cope with the needs of IP users. Currently, an amended patent law draft is pending legislation for more than 10 years.

The clients of this firm are often categorised as high-tech. We have won for the client in the IP Court 98 (2009) Shing Tzung Suu Tzy No. 45 decision, which is a landmark one because in the past, the Taiwan IPO (TIPO) patent practices held that once a patent is issued, it is no longer possible for a patentee to derive a feature from the description into the claims in order that the issued claims can stay away from a newly cited prior art in the invalidating proceedings.

Such improper practices have damaged a number of valuable patents in the past; however, the TIPO still adhered to such position until 2009. As a consequence of this 98 (2009) Shing Tzung Suu Tzy No. 45 decision, it is believed that practices will improve in future. Although the stubborn or bureaucratic mind of officers in TIPO sticking to irrational or unreasonable practices are always frustrating, we are confident enough to dissolve the imperfectness bit by bit through, e.g. urging the IP Court (IPC) to rectify or rule out new, rational or correct practices in each relevant case.

As a result of promotions of the government and IP practitioners, companies are increasingly recognising the importance of protecting their intellectual properties.

Nonetheless, perhaps because most of the companies here are OEM- or ODM-directed to have relatively lower gross profits, and a lot of patent firms are competing in winning services from them, lower price becomes an important factor in IP services.

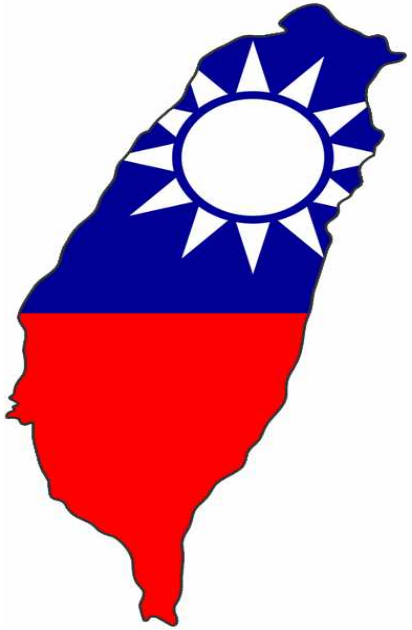
As is uttered by judges in IPC, explaining why the infringing accusation has a high possibility of failure, the patent specification and/or the claims are not well prepared. Everyone knows a lower price cannot secure a high quality product or service.

Although we could not predict whether such high failing rate in patent infringement suits could have profound impact on the popular realities that businesses want a lower price or demand even more free services and law firms try very hard to win more service opportunities by cutting their prices or offering more free services, we are confident there is existing a certain extent of need or desire in quality services.

Moreover, the local industries tend to protect themselves from being accused of patent infringement rather than use the IP as a weapon to earn profits or overtake their competitors so that either most of the companies or most patent firms do not seem to deem it important to have or to provide offensive IP weapons. This is especially true for the traditional industrial sectors.

Meanwhile, the recent economic crisis has meant that companies have had to become more conservative in deploying an offensive patent, as well as in enforcing their intellectual properties. In the wake of the recession, IP disputes involving patent and trade secrets decreased, while those for trademark and copyright appears increasing.

> "Meanwhile, the recent economic crisis has meant that companies have had to become more conservative in deploying an offensive patent, as well as in enforcing their intellectual properties."



Deep & Far is one of the largest law firms in this country. The firm founded in 1992 engages in the complete spectrum of IP practices so as to provide the most competent IP service available.

The firm is presently focused on the practice in separate or in combination of all aspects of intellectual property rights (IPRs) including patents, trademarks, copyrights, trade secrets, unfair competition, and / or licensing, counselling, litigation and / or transaction thereof. The firm's lawyers are experienced in seeking IPR protections for clients in more than 100 territories all over the world, with thousands of IPR cases respectively prosecuted before official patent offices of major industrialised countries.

Deep & Far so achieve by selecting, edifying and nurturing peoples who have the following personalities: learned in expertise, morally earnest and sincerely behaved in mind and strictly disciplined between give and take. It is well-believed that such properties are key factors for peoples to properly and competently behave themselves. By the perseverance that we only do what and only perform works which enable this firm to be deep and far, Deep and Far can then equate the reality with its name.

Recently, Deep & Far has successfully acted for Lumens Digital Optics, Inc. against AverMedia Technology, Inc. for damages of NT$ 0.24 Billion and sued the latter for damages of NT$ 0.23 billions. C.F.

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Battleground IP

By Nandan Pendsey

AZB & PARTNERS
ADVOCATES & SOLICITORS

The last couple of years have witnessed a tremendous growth in IP litigations in India. This may have been prompted by several factors inter alia the enhanced awareness of the importance of intellectual property assets, fierce competition in the marketplace and the high stakes involved and the Courts in India becoming increasingly IP savvy, just to name a few. The year 2011 has been no different which has already seen a variety of high profile decisions with far reaching consequences and with a lot of firsts. In this article, I will be focusing on some of the important IP decisions so far in this year.

The first such case is the **Tea Board, India v. ITC Limited1** in which the Kolkata High Court for the first time in India, dealt with the precise scope of a geographical indication ('**GI**') registration. 'Darjeeling Tea', Tea Board India's ('**TBI**') GI, was the first GI to be registered in India. TBI had also obtained a certification trademark registration ('**CTR**') for the mark 'Darjeeling' in class 30 tea.

TBI objected to ITC Limited ('**ITC**') naming a section of its ITC Sonar Hotel in Kolkata as the 'Darjeeling Lounge', alleging that the adoption of the word 'Darjeeling' amounted to unfair use, infringement of TBI's GI and CTR, as well as passing-off and dilution. The Kolkata High Court, dismissing the application of TBI, held that TBI did not get any exclusivity over the term "Darjeeling" by virtue of its GI registration or the CTR.

The Court further held that the GI registration of TBI was only in relation to goods while the defendant's use of the term "Darjeeling" was in relation to services. Moreover, the Court also held that there was no passing off as the defendant's use of "Darjeeling Lounge" had no nexus to the goods in respect of which TBI had obtained the GI and the CTR. Although the decision seems to be correct and the plaintiff in this instant was unable to get a relief in this case, the Kolkata High Court has specifically observed that the GI Act may not specifically preclude cross category complaints (i.e. services allegedly infringing the GI registration obtained in respect of goods). Therefore, it will be interesting to see how Courts decide such disputes in future.

In **Gorbatschow Wodka Kg v John Distilleries Limited2**, the Bombay High Court recognized the statutory protection afforded to 'shape' as a trade mark and upheld the rights of a trademark owner in the shape of a bottle.

The plaintiff, Gorbatschow Wodka KG, filed a suit for passing off against the defendant alleging that the defendant had invaded its intellectual property rights in the distinctive shape (onion dome) of its vodka bottle by adopting a deceptive variation of the same. The Plaintiff had also filed for a trademark application to protect the distinctive shape of the bottle which application was pending before the Trade Marks Registry in India. The defendant inter alia contended bona fide adoption, lack of intention to deceive and no likelihood of confusion. The defendant also asserted that it had obtained a design registration for the shape of the bottle from the Designs Registry in India. The Bombay High Court while granting injunction held that prima facie the shape of the bottle adopted by the defendant was strikingly similar to that of the plaintiff. The Court further held that the fact that the defendant had obtained a design registration does not impinge the right of the plaintiff to move an action for passing off.

In **Tata Sons Limited v. Greenpeace International and Anr3**, a case highlighting conflict between the right to freedom of speech and expression on one hand and trademark rights and corporate image on the other, Tata Sons ("**Tata**") filed a suit for defamation, trademark tarnishment and infringement against Greenpeace International.

The right to freedom of speech and expression and parody won out over trademark rights and corporate image. The Delhi High Court in refused to grant an interim injunction to Tata Sons against Greenpeace's use of the Tata logo. Greenpeace India ('**Greenpeace**') had launched 'Turtle vs Tata' game (which was a parody of the famous pacman game) in 2010 to raise awareness of the danger to the Dhamra Port in Orissa (co-developed by TATA Steel and L&T) posed to the olive ridley turtles. Tata's main arguments revolved around trademark dilution by way of tarnishment, defamation and damage to the reputation of the Tatas. Greenpeace rebutted the same claiming that the present suit was a SLAPP Suit intended to suppress freedom of speech and expression.

Greenpeace further argued that the use of the TATA trademark with the 'T' device did not amount to trademark infringement because the use was non-commercial in nature and was used for the purpose of criticism. Relying on numerous foreign case laws on this point, the Delhi High Court held that an injunction in favor of Tatas would effectually freeze public debate on the issue and hence dismissed the application for interim injunction.

> *"The Delhi High Court held that there is no safe harbor for intermediaries for copyright infringement in India"*

In yet another first case of its kind, the **Delhi High Court in the case of Super Cassettes Industries Ltd. v Myspace Inc. & Another4**, dealt with the issue of intermediary liability for copyright infringement in India. The Delhi High Court held that there is no safe harbor for intermediaries for copyright infringement in India.

The plaintiff in this suit had contended that the defendants were guilty of primary infringement as the defendants were communicating and disseminating copyrighted works of the plaintiff to the public and were providing a platform to the users for upload infringing content.

The plaintiff also contended that the defendant had knowledge of such infringement as the defendant was placing advertisements alongside the infringing content.

One of the arguments relied upon by the defendant was that the defendant was an 'intermediary' under the Information Technology Act, 2000 ("**IT Act**") and therefore could not be held liable for copyright infringement committed by third parties, relying on the 'safe harbor' provisions under Section 79 of the IT Act.

The Delhi High Court in holding the defendant liable for copyright infringement held that the IT Act does not protect intermediaries against copyright infringement claims as the non-obstante clause in Section 81 of the IT Act acts as a proviso to Section 79 and has an overriding effect. This case is in stark contrast to certain other international decisions on this issue.

It also remains unclear as to why the Parliament has carved out specific exceptions under Section 81 of the IT Act only for copyright and patent infringement and not for trademark infringement for instance or other tortious wrongs.

Under the present law, an 'intermediary' is eligible to claim 'safe harbor' for defamation but not for copyright infringement. This decision will have a substantial impact on intermediaries and will unduly expose intermediaries to copyright infringement liability on the Internet.

Nandan Pendsey is currently a Senior Associate in the Intellectual Property Team at AZB & Partners, one of the most prominent Indian law firms.

He earned his B.S.L. LL.B Degree at the prestigious ILS Law College, Pune in 2001 and further earned his Masters Degree (LL.M) in Intellectual Property from the Franklin Pierce Law Center, New Hampshire, USA in 2003. Mr. Pendsey is also a Registered Patent Agent with a technical background in Biotechnology.

The focal areas of his practice Intellectual Property transactions and licensing, IP litigation and enforcement and patent and trademark prosecution and advisory.

Mr. Pendsey also regularly provides advice on regulatory issues arising in relation to drugs, cosmetics, medical devices and clinical trials. He also has extensive knowledge in the areas of information technology, data privacy, outsourcing, cyber law, registration, protection and enforcement of domain names, and other internet related issues including jurisdictional and enforcement issues and ISP liability.

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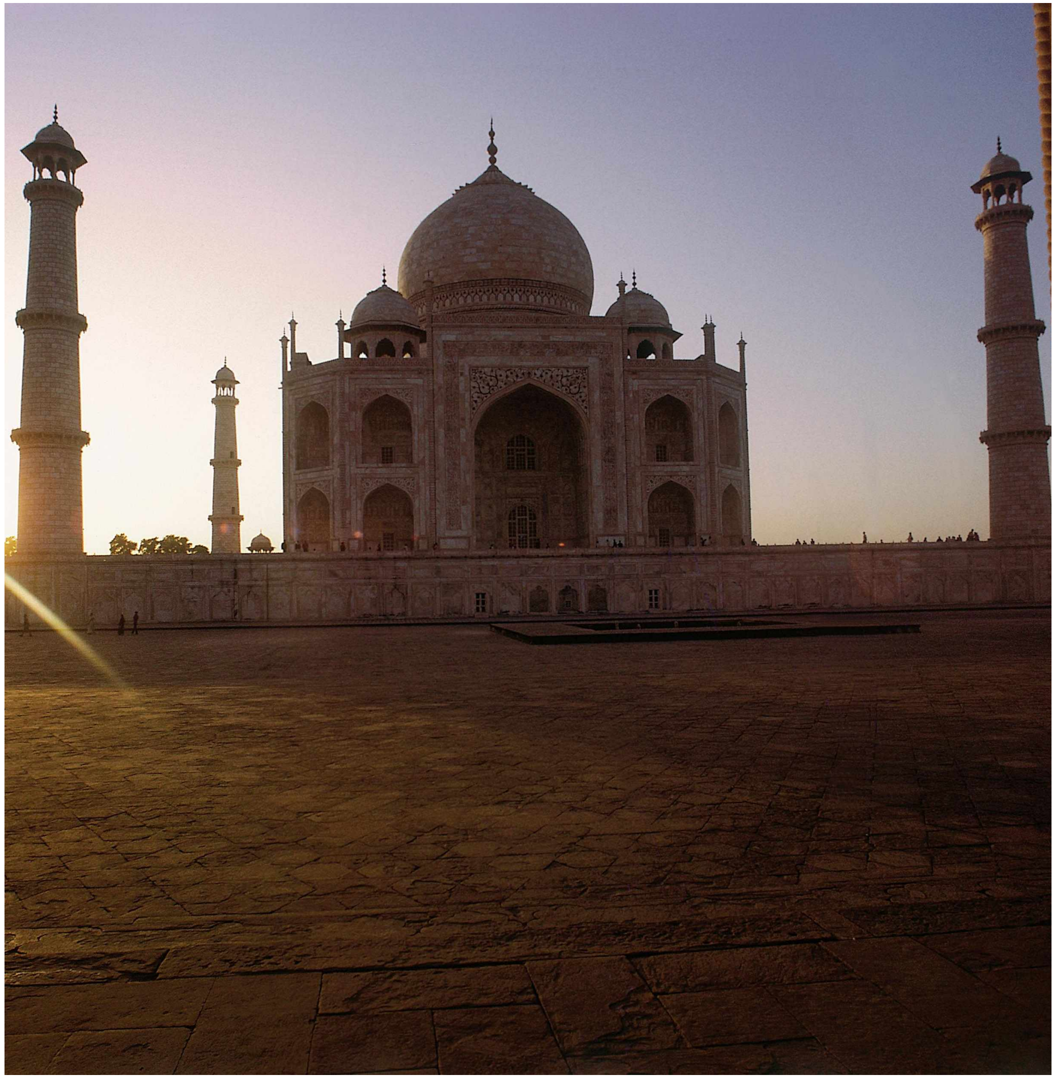

1 - GA No. 3137 of 2010, C.S. No. 250 of 2010
2 - Notice of Motion No. 3463 of 2010 in Suit No. 3046 of 2010.
3 - MANU/DE/0220/2011: I.A.No. 9089/2010 in C.S. (O.S.) No. 1407 / 2010
4 - IA No. 15781/2008 and IA No. 3085/2009 in CS (OS) No. 2682/2008

Musical Works Create Some Noise

By Purnima Singh

Mulla & Mulla
& Craigie Blunt & Caroe
Advocates, Solicitors and Notaries

The past year has been a dynamic one for the music industry with several High Courts in India addressing the rights of underlying rights holders in sound recordings. These rulings are a ray of hope for radio stations that have for years battled a double royalty for the broadcast of music.

These were the decisions in the Radio City case (Music Broadcast Private Limited v. IPRS) by the Bombay High Court and the Synergy Media case (IPRS v. Aditya Pandey and Another) by the Delhi High Court where Courts held against the requirement of a license from IPRS (The Indian Performing Right Society Limited) for the radio broadcast of sound recordings. The IPRS is the statutory copyright society which collects royalties for lyricists and musical composers.

Historically, radio stations in India have been required to obtain a license from the copyright owner of sound recordings and owners of underlying works since underlying works are incorporated into sound recordings. About a half decade ago, while the FM radio industry in India was taking root, several factors led to disputes between IPRS and various radio stations. Stations like "Radio Mirchi" (owned by the Times Group), "Radio City" (owned by Music Broadcast) amongst others, maintained that an IPRS license was not required since the radio broadcast was that of a sound recording.

Their view was that a valid license from PPL (Phonographic Performance Limited), whose members are the sound recording companies, should suffice for the broadcast of a sound recording. The Radio Mirchi matter was referred to arbitration by the Bombay High Court and the proceedings are presently underway.

The Radio City case explicitly recognizes that while sound recordings incorporate literary and musical works, they are nevertheless a separate class of work in which copyright vests. The copyright owner in this separate work is conferred specific exclusive rights under the Copyright Act, 1957 (of India) which include the right to communicate the sound recording to the public, including by radio broadcast. The exercise of a statutory right by the sound record owner or its licensee should be without interference from owners of the underlying literary or musical works.

A radio broadcaster should therefore only require a license from the owner of the sound recording.

The recent decisions follow the 1977 Supreme Court landmark decision in the Eastern Indian case (IPRS v. Eastern Indian Motion Pictures Association), a highly controversial precedent which was in respect of cinematograph films.

The Synergy Media decision extends the rationale of the Eastern Indian case to sound recordings. The heart of the Eastern Indian case decision was that copyright in films vest in their entirety in the film producer as an integral unit, including the musical work incorporated in the sound track and the right to perform the work in public.

Composers and lyricists do not therefore possess rights in the underlying works once those rights are assigned to the film producer. Each class of work, including sound recordings, is separately recognized by statute and exclusive rights in respect of each class are statutorily stipulated. No priority exists between different classes of works.

Composers and lyricists therefore hold no separate rights in the sound recordings for which they can claim a royalty once their underlying works are incorporated in the sound recording, even though the sound recordings are derived from musical and literary works.

The Synergy Media decision recognises the transformative nature of a sound recording which uses musical and literary work as an element. The Court observed that when a sound recording is communicated to the public, it is the whole "work", i.e. the lyrics, the score, the collocation of sounds caused by the equipment and the capturing of the entire aural experience.

The musical or literary work, by themselves, are not communicated or broadcast while communicating the entire work, which is the sound recording. It would therefore be unjustified to say that when a sound recording is communicated to the public by broadcast, the musical and literary work is also communicated to the public through the sound recording.

Once a license to broadcast has been obtained from the sound record owner, a separate license is not necessary from the copyright owner of the musical or literary work.

> *"The Radio City case explicitly recognizes that while sound recordings incorporate literary and musical works, they are nevertheless a separate class of work in which copyright vests."*

Recognizing the rights of artists, the Court in the Radio City case observed that while sound recordings incorporate underlying works giving rise to a wholly separate work, namely a sound recording, lyricists and music composers as owners of the underlying works continue to retain copyright in these underlying works apart from the use in that sound recording.

The Synergy Media decision also draws a distinction specifying that musical and literary works cannot be otherwise "performed" in public (as opposed to communication of a sound recording to the public) without the authorization from owners of musical and literary works.

Mulla & Mulla
& Craigie Blunt & Caroe
Advocates, Solicitors and Notaries

An analysis of the copyright statute demonstrates the sound basis of these decisions.

By statute, the owner of a sound recording is conferred an exclusive right to communicate the sound recording to the public.

This must include communication by radio broadcast since the very meaning of "communication to the public" under the statute specifies "making any work available… by any means of display or diffusion other than by issuing copies of such work... ".

In exercising the exclusive right to communicate the sound recording, the sound record owner cannot be said to infringe the underlying works in the recording.

It must logically follow, that underlying right holders can claim license fees only in respect of a public performance of these works communicated otherwise than as part of a sound recording.

Appeals from these recent judgments are eminent. The law as it stands today, however, is that once a license is obtained from the sound recording owner, a radio broadcast does not require licenses from owners of each underlying element since a legitimate sound recording could result only by obtaining rights to make such a recording, the exclusive rights in which vest as a whole in the owner of the recording.

Purnima Singh was admitted to the Bar Council of Maharashtra & Goa in 1999 and enrolled as a Solicitor of England & Wales in 2002.

She practices general commercial law specialising in IP, media and entertainment laws.

She advises on IP agreements and related documents for clients in various industries such as hotels, FMCG, media and entertainment, publishing and software. Purnima's experience includes advising on issues related to trademarks, copyrights, trade secrets, designs, domain names and aspects of cyber laws, including advising on alternate dispute resolution at the WIPO and .IN Registry, and devising strategies and advising clients for anti-counterfeiting measures.

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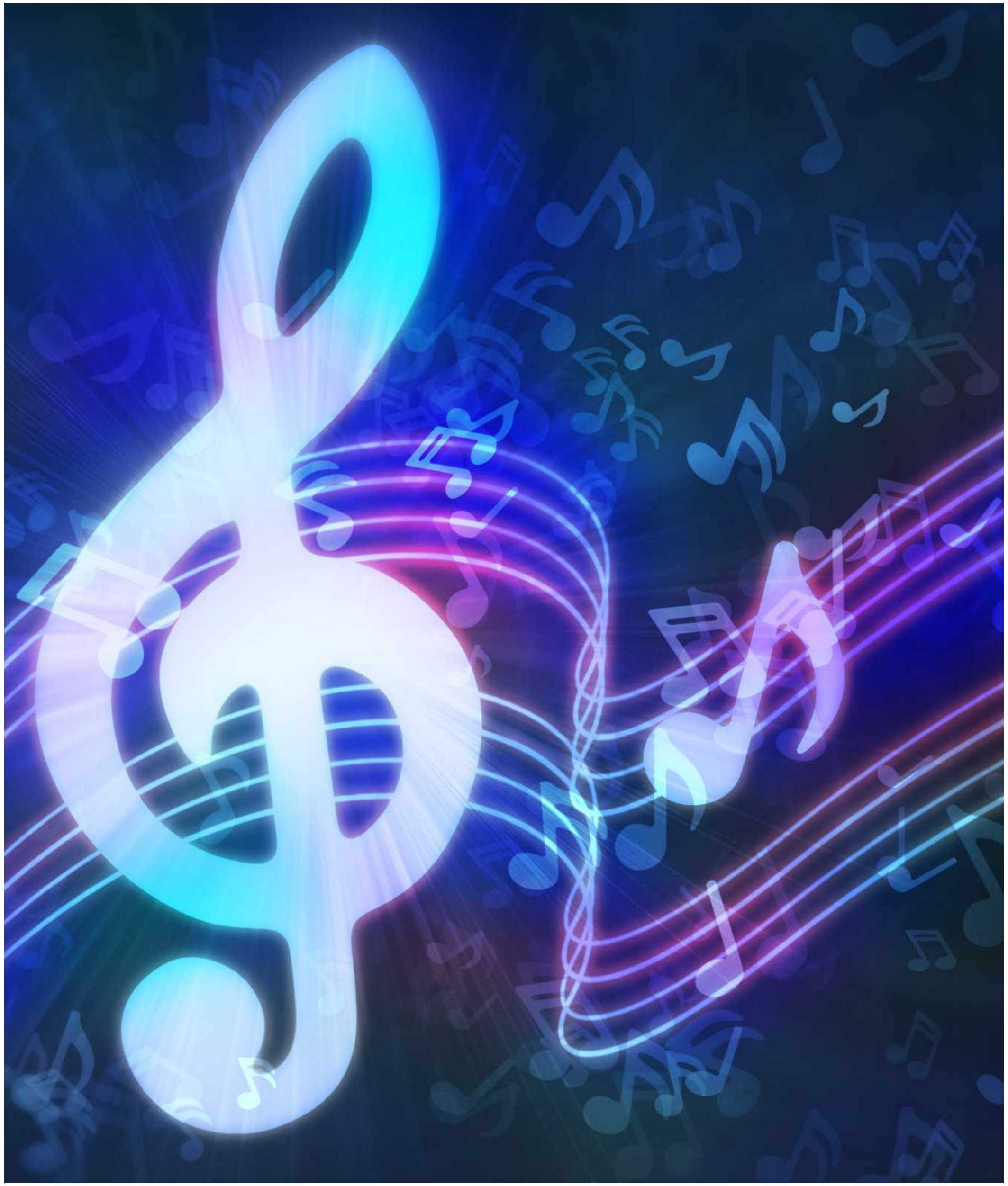

M&A Flavor- A Few Things to remember in an IP takeover transaction!

Anand and Anand

By Swati Sharma

Majority of the Indian companies are yet to capitalize on their Intellectual property. There is lack of guidance on identification, protection and promotion of intellectual property.

The companies that have been able to do this have largely benefitted from the commercialization of their intellectual assets. Commercialization of intellectual property by way of licensing, franchising, distribution networks, pledge, mortgage, outright sale/ acquisition etc. have of late gained prominence and has also helped companies in attracting investments, acquiring greater market share and raising funds.

There are several important issues that a company needs to consider and review carefully before the purchase of a brand or takeover of an intellectual property asset. This article discusses issues that must be handled carefully in a transaction involving the acquisition of an intellectual property asset.

Any transaction involving the acquisition of an intellectual property asset commences with the identification of the asset to be acquired and its strength in benefitting the company acquiring the asset. For this, a thorough due diligence is conducted to test the title and any weaknesses that the asset may suffer from. To facilitate a smooth and a thorough due diligence to clear the title of the property involved, importance must be paid to the following issues:

Memorandum of Understanding:

Prior to the commencement of the due diligence, the companies involved sign a Memorandum of Understanding ("MOU") which captures the intent of the parties and the consideration involved in the transaction. The key is to keep the MOU flexible and subject it to the findings of the due diligence.

For example, dependent upon the results of the due diligence, the consideration amount can be re-worked/ neg otiated if the investigation reveals certain weaknesses in the asset being acquired. An effective way of securing one's interest is the inclusion of indemnity clauses depending upon the results of the due diligence;

Documents:

The due diligence of an intellectual property asset may require a thorough analysis of several documents that the target company possesses and those which are filed with the records of the Trademarks and Patent office in India. These documents must be kept confidential and the parties involved prior to sharing documents usually enter into a Non Disclosure Agreement. Due Diligences are increasingly being conducted online; through virtual data rooms.

Target company uploads and maintains documents in a password protected virtual data room for the duration of the due diligence to avoid any misuse. In any due diligence, time is of essence and it is important to receive all relevant documents within a short period to enable a thorough review. Online virtual data rooms enable a prompt review of the relevant documents.

The Trademarks Registry in India has also undertaken a drive to digitalize their records and are currently in the process of uploading all documents on their website. When this exercise is complete, it will be easier to cross check the documents provided by the seller with the documents that are uploaded by the Trademarks office in India in cases involving acquisition of a trademark;

Agreements:

The intellectual property take over transaction may include a number of Agreements that would be signed between the parties such as a Non Disclosure Agreement, Assignment Deeds, Licenses, Non- Compete, etc. To close the transaction promptly, basic drafts of the intended agreements should be drawn up by the parties in due time. Post the due diligence, these Agreements would require only a few amendments and will assist in an early closure of the transaction;

Procedural Requirements:

An intellectual property take over transaction will involve procedural formalities to be completed; such as payment of prescribed stamp duty, recordal of the take over document/ assignment deed transferring the asset before different statutory authorities, or seeking governmental approvals, etc. Parties must anticipate all the procedural requirements in advance and clearly identify the party responsible for meeting these obligations in the MOU. Sometimes delays can occur in procurement of stamp papers of the adequate value in transactions that involve a high consideration.

Since the MOU does indicate the consideration involved in the transaction, the parties can take appropriate stapes for procurement of stamp paper in advance. In majority of transactions, this responsibility of procurement of stamp paper of adequate value and recordal of the transfer document is placed on the buyer. Specifically with regard to sale and purchase of trademarks, different jurisdictions require payment of a different percentage of the consideration amount as stamp duty. Identify the jurisdiction in advance to calculate the exact amount of stamp duty required to be paid to avoid last minute delays. For example, in case of a trademark take over transaction where the relevant trademark is registered with the Trademarks Registry Delhi, a stamp duty of 3% on the total consideration amount is required to be paid;

Signing and completion of Transaction:

Once the due diligence has been completed and the documents are finalized for execution, the parties must ensure that they are assisted by their legal counsels who are able to assist in case any last minute revisions are required.

Dependent upon the results of the due diligence, parties may feel the need to re-negotiate the purchase price or impose indemnity provisions. The presence of legal counsels of both the parties at the time of closing and execution of the transaction can help avoid confusions or delays.

Post the signing of the documents, the buyer must ensure that he takes possession of the original documents which must be identified in advance and communicated to the seller. This handing over of original documents must happen simultaneously with the execution of the relevant agreements.

Anand And Anand has advised Cargill on the acquisition of the trademark SWEEKAR from Marico Limited and had in the past advised them on the acquisition of the trademark RATH from AgroTech Foods Limited. Anand And Anand has also advised Tata Global Beverages on their Joint Venture with Pepsi in India besides advising Havells on the acquisition of the Silvania brand.

Swati has a significant experience in contractual and commercial exploitation of Intellectual Property including License and Franchise Agreements.

Swati has valuable experience in drafting Franchising and Licensing Agreements, Distributions Agreements and has advised various companies in relation to establishment of their business in India including advice on adoption of an appropriate business model.

Swati has actively participated in close association with the Franchising Association of India as a speaker in workshops related to Franchising in India and how it affects different sectors.

Her practice area also includes drafting trademark applications, trademark infringement opinion, trademark prosecution and opposition including drafting of cease and desist and demand letters, notices of opposition and evidences.

She has extensively advised companies in relation to adoption, protection and increasing visibility of brands in the capacity of a brand strategist. Swati has experience in giving opinions relating to packaging and labeling laws, copyright issues. Swati has also advised on issues pertaining to licensing of movies and due diligence of movie titles.

Swati has been with Anand and Anand since January 2007.

She has attended an International Conference, namely the International Trademarks Association (INTA) conference 2009 held in Seattle, INTA 2011 held in San Francisco, MIDEM held in Cannes in 2010 and various National Conferences such as the INTA India Round Table Conference (2008, Mumbai), seminars organized by the Confederation of Indian Industries (2008, Mumbai).

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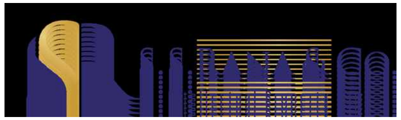
Trends of Patenting in India

By Vikrant Rana



The creation and monetizing of intellectual property assets has significantly increased in the recent times. The obligations under the TRIPS agreement led to several legislative changes including amendments in the Patent Act. These changes have widened the scope of IP protection in India thereby resulting in more filings for Patents, Designs, and Trademarks. TRIPS have contributed in encouraging inventive activity and the same is heralded to have encouraged worldwide technology transfer and promoting international trade.

The patenting activity of any country is the significant indicator of its innovation and hence the commercial, scientific and technological development. Interestingly the current decade has been declared as the "Decade of Innovation" in India.

The idea behind this declaration is to stimulate innovations in the country. The increase in GDP coupled with stable financial and economic structure has simultaneously created a market for new products and given an upward swing to the country's R&D activities particularly in fields relating to Information Technology, Drugs, Pharmaceuticals, Biotechnology, Entertainment etc. The present study profiles patenting activity in India, particularly in last year, and presents general statistics on the trends of application filed and granted in past few years. Barring trademarks, the global financial crises affected the overall filing rate of applications in India; consequently the office of CGPDTM has witnessed a 5% reduction in generation of revenue.

Patent Applications:

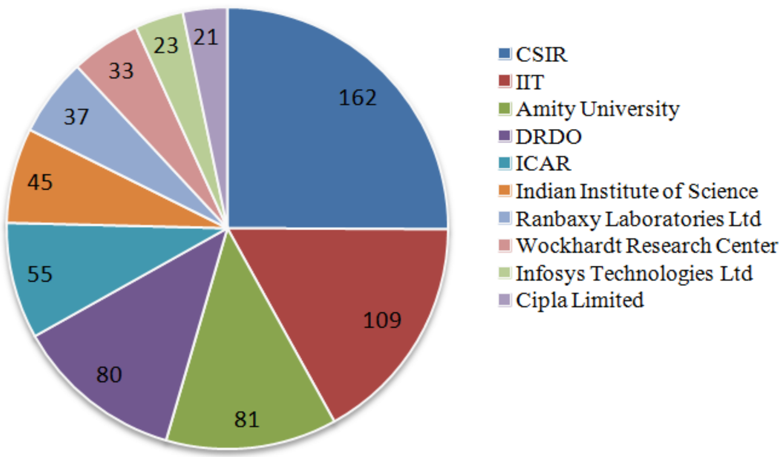
Indian Applicants

There was about 6.8% reduction in the patent applications filed in 2009-10. However the Indian applicants contributed about 20.54% of the total 34,287 applications filed last year, which depicted a healthy growth compared to the previous year.

The Council of Scientific and Industrial Research was the top among Indian applicants with 162 applications.

The pie-chart on the right represents the top ten Indian applicants:

Top 10 Indian Applicants



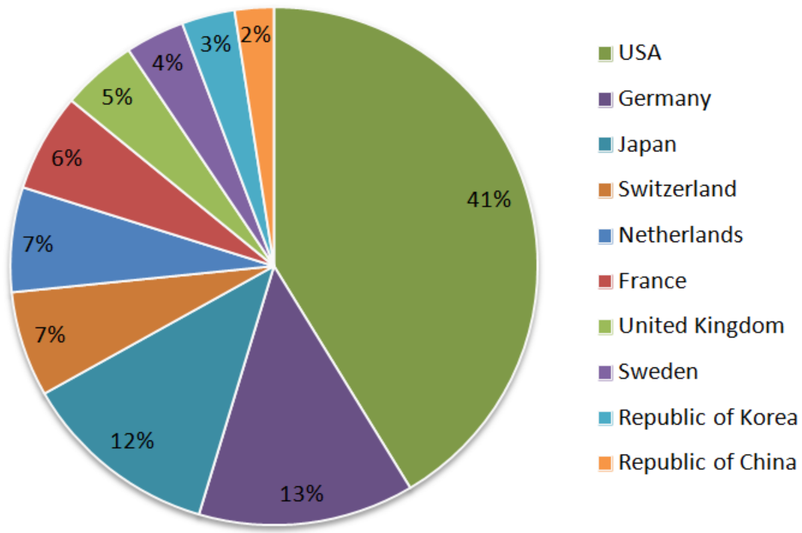
(a) Foreign Applicants:

With 2986 filing in 2009-10, the number of convention applications recorded a decrease of about 29.83% over the previous year's filing. Majority of foreign applications were however through PCT route which accounted to 23431 applications.

The USA filed the maximum number of applications followed by Germany, Japan and Switzerland respectively.

The top 10 foreign applicants are mentioned on the right:

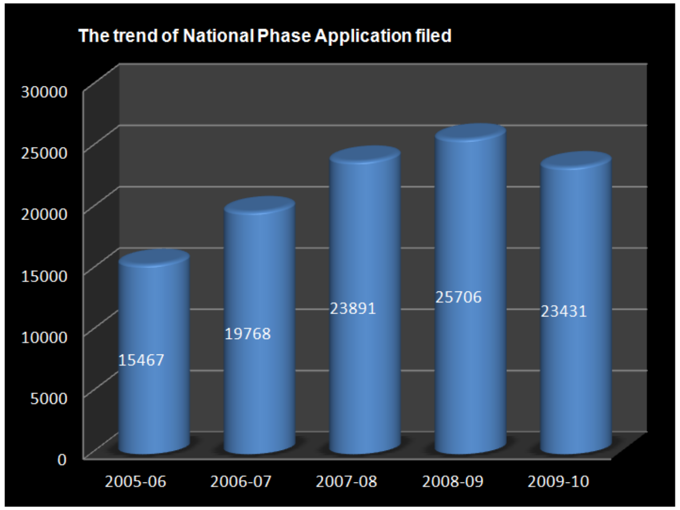
Top 10 Foreign Applicants



Barring last year, there has been a gradual and significant increase in the number of applications filed in the past five years. The decline in the National Phase applications by 8.85% in 2009-10 may be attributed to the worldwide economic crises.

The trend of National Phase applications in the last five years is shown on the right:

Qualcomm Incorporation was the top foreign filer in India and was followed by Koninklijke Philips Electronics N.V., Sony Corporation and Nokia Corporation.

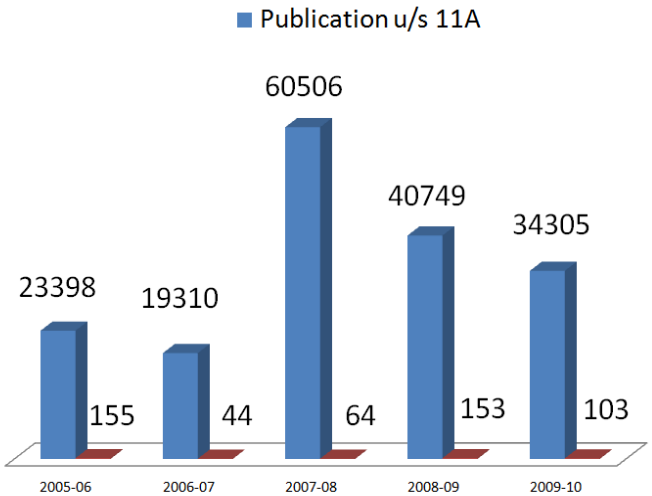


Publication and Pre-grant Opposition:

Of the 34305 applications published last year (u/s 11A) only 103 pre-grant oppositions were filed.

However only 32 pre-grant oppositions were disposed off during the year.

The general trend over the last five years (as depicted below) shows that the percentage of opposition proceedings amounted to less than one percent of the total applications published.

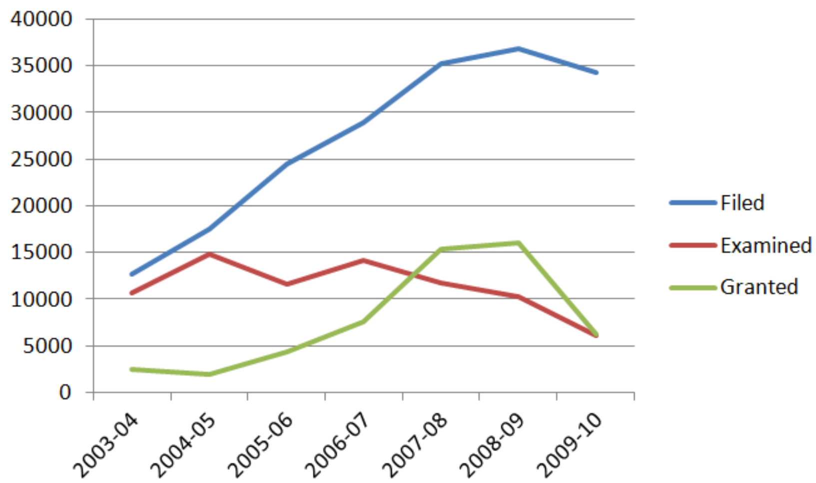


Patent granted:

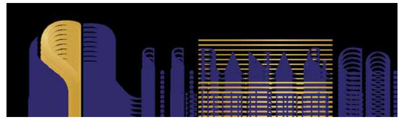
Total number of patents granted during the year was 6168 out of which 1725 were granted to Indian applicants.

28 post grant oppositions were filed during the year, however only 4 post grant oppositions were disposed off during the year and 146 cases are pending for disposal.

Trend of applications filed, examined and granted (2003-10)



As evident from the above graph the number of applications filed, examined and registered has gone down in the last year, other than the impact of global financial crises the decline may also be attributed to the fact that a lot of manpower and human resource at the Patent Office is committed to digitization and compilation of the records and thus the fewer number of applications were examined and consequently granted last year.



Conclusion:

Though India is making progress in financial and economic sector, the country's inventive growth has been declining. As per the report prepared by INSEAD, an international graduate business school, along with Alcatel-Lucent, Booz & Company, the Confederation of Indian Industry (CII), and the World Intellectual Property Organization (WIPO), India was ranked 62nd out of 125 economies measured for innovation levels.

Thus it is essential that various R&D institutes and departments take appropriate measures to enhance innovation process of the country.

Technical and financial aid should be provided by the government and non government organizations to the grassroots innovators and inventors so that a research culture can be cultivated and nurtured so that the researchers "Patent and prosper and not publish and perish".

Data Source: The details and all statistical figures are taken from the Annual Report (2009-10) published by the Indian Patent office.

Vikrant Rana is the managing partner of S.S Rana & Co., a premier Intellectual Property Law Firm of India. Vikrant read law at the University Delhi in 1996 and is enrolled as an Advocate with the Delhi Bar Council since 1996.

He is an Advocate-on-Record with the supreme court of India (2006) and registered as a patent agent in 1998. He has been litigating in courts all over India, primarily at the Supreme Court of India, various High Courts across the country, Trademarks Registry, Patent Office, Intellectual Property Appellate Board and the Copyright Board of India.

As an experienced IP Attorney he spearheads the team at the firm which includes specialists in law, chemical, biotech and electronic sector.

Having majored in Economics, Vikrant has an in depth understanding of micro and macro factors influencing businesses. With this business understanding, for over a decade, Vikrant has been providing practical legal advice to many Fortune 500 companies and some of the world's most esteemed corporations, on securing, protecting, enforcing and exploiting their Intellectual Property assets in India and world over.

His clients range from the disparate fields of food and beverages, IT, e-commerce, health and fitness, Electronics, Chemicals and Pharmaceuticals etc.

He is actively involved in sensitizing awareness on Intellectual Property Rights in India and is associated with several government organizations including the TIFAC, Department of Science and Technology, Patent Facilitating Centers (PFC), Patent Information Centers (PIC), FICCI, Ministry of Small Scale Industries (MSSI), CII, WIPO, TERI, IIM Ahmadabad, BHU etc. and is a frequent speaker and panelist in seminars and conferences conducted by these organizations.

Vikrant has authored several articles in leading law magazines and journals including Managing IP, World Intellectual Property Review, Legal Era etc. His chapter in the book titled, "A Practical Approach to Intellectual Property Law", has been well received by readers. He is a member of several law associations and forums including INTA, APAA and AIPPI.

He has been nominated by esteemed clients for the ILO Client Choice Awards 2012 (International Law Office) for providing exceptional legal services pertaining to Intellectual Property Law. Vikrant has successfully mentored many aspiring lawyers and IP practitioners and their success bears testimony to his guidance. He is also an avid sports man and captained his school volley ball team.

An enthusiastic runner, he has been running the prestigious Delhi Half Marathon (21Km) for the past 4 years.

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Image or Personality Rights – Increasing awareness in India

By Kavita Mundkur

With the constant evolution of Intellectual Property Rights the world over, a diverse nature of rights have emerged for instance the right to command and control the commercial exploitation of one's identity and persona including one's name, image, likeness or other unequivocal aspects of a person's distinctiveness such as voice, signature, style, gestures, recognizable attire. The afore-said kind of rights have come to be known as 'Personality', 'Publicity' or 'Image' Rights.

Although there is no specific codified law governing the subject, an individual may take recourse to the common law in India and provisions of various statutes such as the Copyright Act, 1957 and the Trade Marks Act 1999 to protect various indicia of his personality or image. The Advertising Standards Council of India Code which is a self-regulatory code for advertisements also provides against the reference of any person in an advertisement without his permission which confers an unjustified advantage on the product advertised or tends to bring the person into ridicule or disrepute.

Further, when any attribute of a person's identity or persona is used without his consent for the purpose of promoting the sale, use or supply of any goods or services thereby falsely representing that the goods or services have inter alia sponsorship, affiliation or approval of such person, such an act may constitute an unfair trade practice. An individual may also initiate a passing off action against a person who misappropriates attributes of his identity or personality and makes false and misleading claims of endorsement by using such attributes of the individual in respect of his goods or services.

In an age where brand equity of celebrities is sometimes equal to or even more than that of corporate houses and corporate brands, there is bound to be a significant surge in actions taken by celebrities to protect the commercial exploitation of various indicia of their personality or image. There has been a growing awareness of the said rights in India in recent times where instances of actions taken by celebrities against diverse kinds of acts of misappropriation at different forums have been witnessed.

In a similar case filed before the Delhi High Court between D.M Entertainment Pvt. Ltd. Vs. Baby Gift House and Ors (2010), the Plaintiff sought permanent injunction, damages and rendition of accounts against the Defendants restraining them from infringing right of publicity and against false endorsement, leading to passing off. The Plaintiff was a company incorporated to inter alia manage the career of the well known singer, entertainer and artist, Daler Mehndi.

The artist had also assigned all his rights, title and interest in his personality along with the trade mark DALER MEHNDI as well as goodwill vested therein to the Plaintiff. The Plaintiff had also successfully enforced rights against the use of the artist's name in domain names such as 'dalermehndi.net' and 'dalermehndi.com'.

The Defendants were in the business of selling dolls which were imitations of and identical to the likeness of the artist. Further, the said dolls also sung certain songs of the artist.

It was contented by the Plaintiff that the Defendants without the Plaintiff's authority and consent misappropriated the artist's persona and likeness for their own ignoble ends thereby invading the Plaintiff's exclusive rights to market the personality of the artist and had also attempted to induce consumers and purchasers of such products into believing that the Plaintiff has either licensed or the Defendants have some connection with the Plaintiff or the artist to use the exclusive right to market images of the artist.

The Plaintiff further contended that such acts of misappropriation and false endorsement in addition to causing commercial loss to the Plaintiff also caused tremendous loss and damage to the reputation of the Plaintiff and the artist.

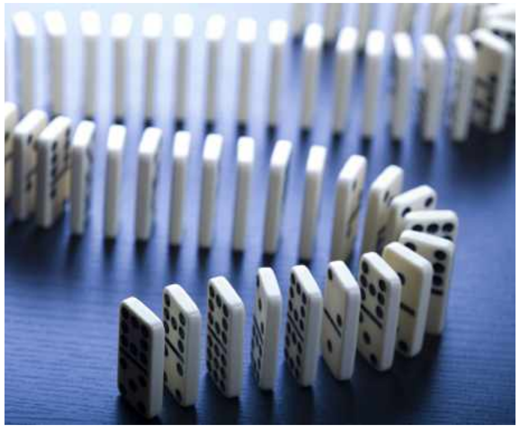
It was also submitted by the Plaintiff that "unauthorized or unlicensed use by any party of the said persona including any of its individual components, on account of the immense reputation of the artist and its deployment as a source of indicator in the music industry, in relation to goods and services or in any other manner, would leave a false impression on the public and members of the trade, that the goods or services either originated from the plaintiff or its sponsors, licensor or endorsee.

Such misrepresentation would constitute acts of false endorsement and passing off by such third party and would lead to dilution and erosion of uniqueness and exclusivity associated with the Plaintiff's right, by reducing its capacity to identify and distinguish the services of the Plaintiff as originating from a particular source.

This would also result in generation of huge unearned commercial gains at the hands of person who has no right to use the persona and will cause great financial detriment to the Plaintiff". The Court issued summons, made an interim ex-parte restraining order against the Defendants and appointed a Local Commissioner to visit the Defendants' premises and report the correct position. Subsequently, the Court held that "an individual claiming false endorsement must prove that the use of the identity is likely to mislead consumers into believing that the concerned personality endorsed the product at issue".

The Court further held that in this case the use of Mr. Mehndi's persona for the purpose of capitalizing upon his name by using its conjunction with the commercial product was not proper or legitimate and it amounted to a clear dilution of uniqueness of such personality and gave rise to a false belief that the Plaintiff had either licensed or the Defendants have some connection with the Plaintiff or the artist. The Court also concluded that the Plaintiff had established its case for passing off. In light of its findings, the Court passed an order granting damages and permanent injunction in favour of the Plaintiff.

In another case between Mr. Arun Jaitley Vs. Network Solutions Private Limited and Ors (2011), the Plaintiff, Mr. Arun Jaitley, a member of parliament, prominent leader of the largest opposition party in India and a leader of Opposition in the Rajya Sabha filed a suit in the Delhi High Court for permanent injunction restraining the Defendants from misuse and immediate transfer of the domain name www.arunjaitley.com.



In the said case, the Court granted the reliefs prayed for by the Plaintiff and concluded that the name of Mr. Arun Jaitley besides being a personal name had attained distinctive indicia of its own and had become a well known personal name or mark under the Trade Mark Law thereby recognizing the exclusive rights of the Plaintiff in his personal name.

Actions taken by celebrities and decisions of courts such as the above are reflective of the growing awareness of the said rights among celebrities in India and also of the various remedies which can be availed of under common law and other statutes.

Kavita Mundkur Nigam is an Associate at Krishna & Saurastri Associates. Her practice areas include trade mark prosecution and oppositions, copyright, design, domain names, technology transfer, due diligence, IP licensing and acquisitions.

Kavita has initiated successful domain name arbitrations under ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP) at WIPO as well as at the .IN Registry in India.

She also deals with matters relating to infringement, passing off and counterfeiting. She has worked on projects relating to company mergers and acquisitions, private equity, project finance and foreign investment.

Kavita holds a Bachelor's Degree in Law from Government Law College, Mumbai and a Bachelor's Degree in Commerce from Narsee Monjee College of Commerce & Economics. She is registered with the Bar Council of India. She holds a Diploma in Cyber Laws from the Asian School of Cyber Laws, Pune. Kavita also has to her credit, 'Diplome de Langue Francaise', a degree in French offered by the Alliance Francaise de Bombay.

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Changes in IP Enforcement Rules in the Philippines

By Editha R. Hechanova

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LAWYERS

The USA is a major trading partner of the Philippines, and to maintain this relationship, it becomes necessary that the Philippines has in place effective policies and rules for the protection and enforcement of intellectual property rights (IPR). In the latest Special 301 Report of the US Trade Representative, the Philippines position has improved: from being in the priority watchlist to the ordinary watchlist. The USTR has recognized the additional efforts made by the Philippines in strengthening coordination among enforcement officials, but continues to criticize the judicial system for being inefficient, few convictions for IPR violations and unpredictable decisions of the courts, e.g., whether to maintain or revoke search and seizure orders.

For example, the recent decision in the case of Skechers USA vs. Inter Pacific Industrial Trading et al (G.R. No. 164321, March 23, 2011) may be considered a case in point. Skechers thru the National Bureau of Investigation (NBI) applied for search warrants against the outlet and warehouse operated by respondents to seize goods infringing on the registered trademarks "Skechers" and "S" within an oval design. The search warrants were issued by the regional trial court of Manila (RTC Manila) and on this basis 6,000 pairs of shoes bearing the "S" logo were seized. Respondents filed a motion to quash alleging that no confusing similarity exists by pointing out dissimilarities.

Using the holistic test, the RTC Manila granted the motion and quashed its own search warrants on November 2, 2002, and ordered the NBI to return the seized goods. Skechers immediately appealed the decision to the Court of Appeals which affirmed the RTC Manila decision on November 17, 2003, or a year later. Skechers appealed the said CA decision to the Supreme Court (SC), and on November 30, 2006, or three (3) years later, the SC dismissed the appeal. Dissatisfied, Skechers filed a motion for reconsideration, and on March 23, 2011, or about five (5) years later, the SC granted the motion for reconsideration and ruled in favor of Skechers using the dominancy test in the determination of confusing similarity.

It took about nine (9) years from the time the order quashing the search warrants were issued to the final decision from the SC on said issue. It must be noted that this decision of the SC only starts the criminal action proceedings, and not yet resolves the cases.

The new IPR Rules issued by the SC under A.M. No. 10-3-10-SC which took effect on November 8, 2011 may well reduce the length of time that an IPR case is litigated. Said rules cover the civil and criminal procedures for intellectual property rights cases in the regional trial courts designated as Special Commercial Courts (SCC), which are under the supervision of the SC. IPR violations refer to copyright infringement, patent infringement, trademark infringement, unfair competition, actions concerning trademark license contracts, actions concerning imported merchandise or goods bearing infringing marks or tradenames, false designation of origin, false description or representation, and other violations of intellectual property rights as may be defined by law. Some of the more important provisions of the new IPR Rules are as follows.

1) More courts have been authorized to issue writs of seizure and search warrants enforceable anywhere within the country. It used to be that only executive judges in the cities of Manila and Quezon City can issue search warrants or writs of seizure which can be enforced in any place in the Philippines. As such, it had concurrent jurisdiction with the particular SCC in the affected territory. Under the new IPR Rules, such authority has been transferred to the SCC in the cities of Manila, Makati, Quezon City, and Pasig City. The filing of applications for search warrants or writs of seizure will certainly be made easier, more cost effective and possibly reduce the incidence of leakages.

2) Simplification of procedures by reducing the number or nature of the pleadings to be filed. The new IPR Rules limit the pleadings to be filed to the complaint, compulsory counterclaims, cross-claims and the answers thereto, and must be verified. Motions to quash information, dismiss, extensions of time to file pleadings, hearing of affirmative defenses, and other pleadings are prohibited.

3) Referral to mediation and judicial dispute resolution. Mediation is encouraged. Litigation costs can be avoided if the parties are open to settle their disputes amicably. The dockets of the courts are clogged with unresolved cases, and mediation is one effective way lightening the heavy load of the courts.

4) For civil actions, the SCC has the discretion to decide whether it will conduct trial or not, or decide the case on the basis of position papers.

5) For criminal actions, the SCC shall conduct trial expeditiously. Under the new IPR Rules, each party is given sixty (60) days to present its evidence on the dates agreed upon during the pre-trial. Upon termination of the trial, the SCC shall require the parties to submit their memoranda within a non-extendible period of thirty (30) days. Thereafter, the SCC shall render its decision within sixty (60) days.

6) Any order by the SCC is immediately executory, and judgments rendered by the SCC is executory pending appeal, unless restrained by a superior court or subject to conditions that the SCC may impose. These rules appear to be double edged. On one hand, it can reduce delays in the prosecution of the case, and on the other hand, the superior courts could be deluged by appeals which could prove to be more costly.

7) Destruction of seized goods. The new IPR rules provide that at any time after the filing of the complaint or information, the SCC, on motion and with notice to the parties, after hearing, order the destruction of the seized goods provided that a representative sample is taken, and the parties follow the procedures for destruction. Since warehousing costs could be significant, particularly if the volume of seized goods is high, IPR owners stand to save on these costs.

It is hoped that with the new IPR Rules, anti-counterfeiting activities in the Philippines will be reduced.

Atty. Editha R. Hechanova is the managing partner of the Hechanova Bugay & Vilchez law offices which specialize in intellectual property, corporate, and immigration law.

She is also the Chief Executive Officer of Hechanova & Co., Inc. a company handling trademark and patent prosecution, copyright and domain name registrations, trademark valuation, searches, and other non-contentious intellectual property matters.

She graduated from the University of the East with a business degree, major in Accounting, magna cum laude. She is a Certified Public Accountant. She obtained her law degree from the Ateneo de Manila University, and has a Certificate in Business Economics from the University of Asia and the Pacific.

She passed the Patent Agent Qualifying Examination (PAQE), 2008 given by the Intellectual Property Office on July 30, 2008.

Her experience covers both contentious and non-contentious intellectual property matters, e.g., licensing, due diligence, trademarks and patents prosecution, copyright, patent and trademark litigation. Atty. Hechanova is an accredited Court Annexed Mediator at the Court of Appeals, mediator in the Intellectual Property Office of the Philippines (IPOPHL), and appointed as arbitrator in the same office after passing its assessment examination.

She has been cited as Leading Lawyer in the field of Intellectual Property Law in the Philippines by the AsiaLaw Magazine, an international publication, from 2002 to 2010.

Editha can be contacted on +63 2 812 6561 or by email at editharh@hechanova.com.ph

New Rules Govern Intellectual Property Right Cases in the Philippines

By SyCip Salazar Hernandez & Gatmaitan

SyCip Salazar Hernandez & Gatmaitan

Recognizing the peculiar needs and significance of cases involving intellectual property rights, the Supreme Court of the Philippines recently issued Resolution A.M. No. 10-3-10-SC adopting the new rules of procedure specifically applicable to cases involving intellectual property rights before the courts.

The new rules, entitled Rules of Procedure for Intellectual Property Rights Cases, (the "IP Rules of Procedure") cover both civil and criminal actions for violations of intellectual property rights provided for under the Intellectual Property Code of the Philippines and other laws.

They are to be observed by all Regional Trial Courts designated by the Supreme Court of the Philippines as Special Commercial Courts.

Prior to the issuance of the IP Rules of Procedure, intellectual property rights cases lodged before the courts were governed by the Revised Rules of Court of the Philippines (the "Revised Rules of Court"), the same procedural rules applicable to ordinary civil and criminal actions. It is worth noting however that the enactment of the IP Rules of Procedure notwithstanding, if a determination is made by the court that the pending action involves complex issues, it shall issue a special order stating that the regular rules shall be observed.

Similar to the regular rules, civil actions under the new rules are commenced by the plaintiff's filing of a complaint, which must be verified and accompanied by a certification against forum shopping. However, the new rules specifically require the submission, together with the complaint, of the affidavits of the plaintiff's witnesses in question-and-answer format as well as all other evidence supporting the plaintiff's cause of action. Moreover, the express prohibition from filing certain pleadings and motions – like motions to dismiss, replies, petitions for relief from and judgment, motions for reconsideration of final orders or judgments, third-party complaints and interventions – suggests that proceedings governed by the new rules are summary in nature.

After the defendant files an answer to the complaint, the case shall be set for pre-trial during which the possibility of amicable settlement and the simplification of the issues, among others, are explored and discussed by the parties.

While, under the regular rules, the court is ordinarily required to conduct a full-blown trial after the pre-trial is terminated before rendering judgment in the case, the new rules grant the court the option to either: (i) declare the case submitted for decision immediately after pre-trial; (ii) require the submission of position papers, as well as draft decisions if the parties so desire; (iii) schedule clarificatory hearings if there are matters to be clarified; or (iv) schedule the case for trial if the court deems it necessary.

Where the case is declared submitted for decision after pre-trial, the new rules direct the court to render judgment within forty-five (45) days after pre-trial. Meanwhile, if the court requires the submission of position papers, it may render judgment within forty-five (45) days from receipt of the position papers or, if the court deems it necessary, conduct clarificatory hearings and thereafter render judgment within forty-five (45) days after the termination of the clarificatory hearings.

In cases where the court decides to conduct clarificatory hearings immediately after pre-trial, it shall require the submission of position papers before rendering judgment in the case.

If the court schedules the case for trial immediately after pre-trial, the judicial affidavits of the parties' respective witnesses shall serve as their direct testimonies during trial, subject to cross-examination by the adverse party. After trial, the parties shall be required to submit their respective draft decisions, and the court shall render judgment within sixty (60) days after receipt of the draft decisions.

The new rules generally prohibit the filing of motions for reconsideration of final orders or judgments issued or rendered by the court. Instead, any party adversely affected by the judgment may, within fifteen (15) days from notice of the judgment, file with the Court of Appeals a petition for review under Rule 43 of the regular rules.

With respect to criminal actions, the proceedings under the new rules are generally similar to those governed by the regular rules. However, the new rules expressly prohibit the filing of certain motions which are otherwise allowed to be filed under the regular rules. These include motions to quash the information except on the ground of lack of jurisdiction, motion for extension of time to file affidavits or any other papers, and motions for postponement.

> "*After the defendant files an answer to the complaint, the case shall be set for pre-trial during which the possibility of amicable settlement and the simplification of the issues, among others, are explored and discussed by the parties.*"

Moreover, the affidavits of the witnesses of the parties which already form part of the record of the case, such as those submitted during the preliminary investigation and/or during pre-trial, shall serve as their direct testimonies during trial, subject to cross-examination by the adverse party. Judgments rendered in criminal cases under the new rules may be appealed in the same manner provided under the regular rules.

The Special Commercial Courts in the key cities of Metro Manila, specifically, Quezon City, Manila, Makati and Pasig are expressly authorized, under the new rules, to issue writs of search and seizure in civil actions as well as search warrants in criminal actions which are enforceable nationwide. On the other hand, the Special Commercial Courts in the judicial regions where the violation of intellectual property rights occurred shall have concurrent jurisdiction to issue writs of search and seizure and search warrants enforceable within their respective territorial jurisdictions.

Meanwhile, the Executive Judges have been relieved of the duty to issue search warrants in criminal cases involving violations of intellectual property rights.

The new rules were approved on October 18, 2011 and will take effect fifteen (15) days after their publication in two (2) newspapers of national circulation in the Philippines.

Founded in 1945, SyCip Salazar Hernandez & Gatmaitan is one of the most established full service law firms in the Philippines.

The firm's intellectual property law practice is the largest in the country, in terms of client base and range of services offered, and is consistently cited as a first choice for IPR counseling.

With more than half a century of collective experience and resources, and a continuing drive to innovate, SyCipLaw combines traditions of professional integrity and excellence with a time-tested ability to break new ground.

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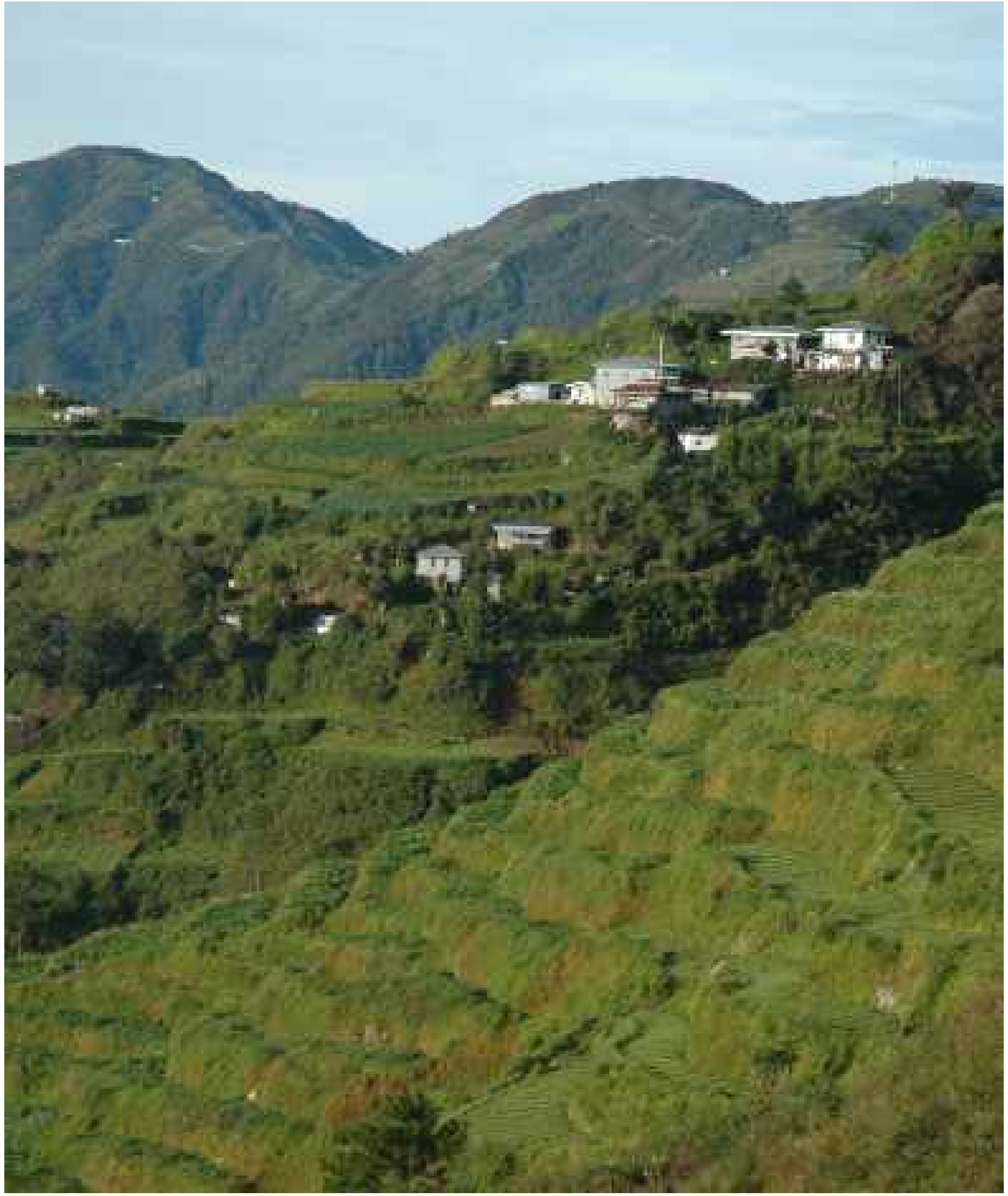

2012: Malaysia's Push for IP Change

By Charmayne Ong

SKRINE

The year 2012 is expected to be a year full of change to the IP regime as it is the culmination of a number of years of discussion and consultation in the ever-continuing process of bringing the country's domestic legislation and practice in line with international IP standards and obligations. Boosting this process is the Prime Minister's initiative in implementing the Economic Transformation Programme, a programme targeted to transform the country to a high-income nation by 2020 and which has spearheaded a highly ambitious agenda of incentives and schemes to this end. Malaysia is thus faced with a challenge to modify its laws within a short space of time and the last few years have seen the introduction of many new laws (e.g. competition, data protection, anti-terrorism laws, etc.) and the modification of the old in many areas with IP not lagging behind in this move.

On April 26th 2011, Malaysia celebrated her 7th annual National Intellectual Property Day bearing the theme: "Intellectual Property – Driving Nation's Competitiveness". The celebrations received an overwhelming response, representing yet another step forward in this nation's quest to increase the awareness and knowledge of the general public on matters concerning intellectual property.

On the legislative side, there has also been progress in the advancement of the field of intellectual property in Malaysia in the form of revamped legislation and proposed amendments made by the Ministry of Domestic Trade, Co-operatives and Consumerism to core intellectual property legislation such as the Copyright Act 1987. Proposed amendments to the legal framework of other core areas of intellectual property such as the Trade Marks Act 1976 and the Patents Act 1983 are in the process of being finalized and are expected to be tabled in Parliament in 2012. It is envisaged that there will also be a repeal of the Industrial Designs Act replacing it with a new Act. A bird's eye view of some of the changes are described here in this article.

Copyright (Amendment) Bill 2010 ("the Copyright (Amendment) Bill")

Copyright is afforded protection in Malaysia by the Copyright Act. The Copyright (Amendment) Bill was recently passed by the Dewan Rakyat (House of Representatives) on October 3rd 2011 and is currently being tabled before the Dewan Negara (Senate). Some amendments of note include provisions that regulate Collective Management Organisations (CMOs) and the establishment of a voluntary register of copyright where copyright owners may deposit their copyrighted works.

The basis of existence of copyright is still preserved by the Act but the registration process allows a convenient way of establishing evidence of ownership as a certified extract from the register of copyright is considered prima facie evidence of the owner's copyright and is admissible in the courts.

Other amendments include provisions that limit the liability of internet service providers and extend the current powers of search and seizure by authorized officers under section 45 of the Copyright Act. In a bid to combat piracy, the Copyright (Amendment) Bill also includes anti-camcording provisions whereby any person operating an audiovisual recording device in a screening room to record any film in whole or in part shall be guilty of an offence punishable by imprisonment or a fine or both.

Trade Marks (Amendments) Regulations 2011 ("the Trade Marks (Amendments) Regulations") Patents (Amendments) Regulations 2011 ("the Patents (Amendments) Regulations")

The Trade Marks (Amendments) Regulations and the Patents (Amendments) Regulations were recently amended and these amendments apply to all applications for trade mark and patents filed from February 15th 2011 onwards. The amendments bring about several important changes to the Trade Marks Regulations 1997 and the Patents Regulations 1986.
The amendments, which mainly seek to improve the trade marks registration and patents grant process in Malaysia, include formalized requirements, expedited examination, reduced response times, electronic filing services and revision of official fees.

With the introduction of the expedited examination process, eligible applicants may potentially receive trade mark registrations within 6 months and 3 weeks from the date of filing and patent grants within 20 months from the date of filing, provided that all statutory requirements are complied with and no adverse reports are issued. However, the eligibility for expedited examination is restricted to satisfaction of certain criteria e.g. infringement in the marketplace.

In addition to these amendments which came into force earlier this year with the primary purpose of shortening the time periods for registration/grant, the authorities will also be revamping the principal legislation for trade marks and patents in a substantial manner. In the case of trade marks, it is expected that the new provisions will cover, amongst others, the introduction of non-traditional trade marks, securitization of trade marks as assets and the Madrid Protocol. For patents, the amendments are expected to include securitization of patents, the inclusion of innocent infringement and accession to the Budapest Treaty. The bills amending the two legislation are in the process of being drafted and are targeted for presentation to Parliament in the first half of 2012.

Industrial Designs Act

There have been several attempts to amend the Act over the past few years and the authorities now intend to repeal the Act. The new bill is expected to be tabled in Parliament in 2012 and it is likely that it will cover major changes to the meaning of novelty (to replace 'local novelty' with 'novelty worldwide') increases in the terms of protection from 15 years to 25 years, an increase in the grace period for disclosure and a possible 'widening' of the concept of design (from industrial design to design).

Trade Descriptions Act 2011 ("the Trade Descriptions Act")

The Trade Descriptions Act came into force on November 1st 2011, replacing the previous Trade Descriptions Act 1976. It is a piece of legislation that prohibits the use of false trade descriptions on goods and services and insofar as IP is concerned, has traditionally been relied on as one of the legal tools used to combat piracy in Malaysia.

With regard to counterfeit goods, there is now a presumption of law that any person dealing with goods bearing a mark identical to that of a registered trade mark will be deemed to have applied, supplied or offered to supply goods bearing a false trade description.

Other changes to the Trade Descriptions Act include harsher penalties in the form of heavier fines to be imposed on individuals and bodies corporate with the amounts doubled for repeat offences.

Conclusion

The IP community looks toward the year 2012 with great interest, and some with trepidation, as the changes contemplated are significant. Nevertheless, change is necessary as Malaysia heads towards its goal to be more competitive and to ensure a strong IP support system for the business community. The effects will be more apparent once the amendments to the legislation have been drafted and made public.

Charmayne Ong is a Partner in the Intellectual Property Division of SKRINE. She is a registered Patent Agent, Design Agent and Trade Mark Agent in Malaysia.

Charmayne's areas of practice include registration of trademarks and general advisory work relating to IP rights: trade mark, copyright, industrial design rights and patents.

Her experience involves advising on and drafting of contracts in intellectual property (e.g licensing, franchising, distributorships and contract). Charmayne was nominated as one of AsiaLaw's Leading Lawyers 2009, 2010 and 2011 and is listed as a leading individual in Intellectual Property for Chambers Asia 2009, 2010 and 2011.

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Snapshot –Copyright Law 2011

January

The Court of Justice ruled that EU member states cannot pass laws that exclude from copyright protection registered designs that have already entered the public domain.

February

The Full Federal Court of Australia found that an Australian ISP did not authorise copyright infringement carried out by its customers.

March

Imagi International acquires Chinese cartoon creator Toon Express Group. The deal demonstrates the increasing attractiveness of licensing Chinese content and merchandise.

April

New Zealand pass the Copyright (Infringing File Sharing) Amendment Bill.

May

The Belgian Court of Appeal informs Google that it infringes publishers copyright by reproducing their headlines.

June

Google agrees a deal with the British Library to digitise 250,000 out-of-copyright titles from the 18th and 19th centuries.

July

The Court of Appeal in London upholds a ruling that headlines and web links that are taken from newspapers websites are protected by copyright.

August

A New York federal court refuses a petition to release the domain names *Rojadirecta.org* and *Rojadirecta.com.*

September

One of the founders of NinjaVideo pleads guilty to criminal copyright conspiracy.

October

An appeal by ASCAP was denied by The US Supreme Court, letting stand the ruling by an appeals court stating that musical downloads are not public performances.

November

A federal judge in Las Vegas gives Chanel authority to seize hundreds of domain names of sites showing "good cause" that they are selling counterfeit products.

ORANGE vs. ORANGEWORKS Judgment

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By Emmie de Kock & Rina Gunter

In September 2010, Account Works Software (Pty) Limited t/a ORANGEWORKS, a young South African company selling accounting software, received a favourable judgment from the South African Registrar of Trade Marks, in a "David and Goliath" battle, against Orange Personal Communication Services Limited, a multinational telecommunications company based in the United Kingdom, and proprietor of various ORANGE trade mark registrations.

The subject of the opposition was following trade mark applications which Account Works Software filed on 17 March 2006 on the South African Trade Marks Register, namely:

(a) trade mark application no: 2006/05687 ORANGEWORKS in class 9 which covers "computer software and software programmes relating to accounting" ; and

(b) trade mark application no: 2006/05688 ORANGEWORKS Logo in class 9 which covers " computer software and software programmes relating to accounting".

The dispute started in February 2007 when Orange Personal Communication Services sent a letter addressed to ORANGEWORKS demanding that it to cease using the ORANGE element in its business name, as it conflicts with its trade mark entries for various ORANGE marks on the Trade Marks Register in inter alia classes 9 and 38.

As the conflict could not be resolved on correspondence, Orange Personal Communication Services first proceeded to lodge a formal company name objection against Account Works Software, which was recorded, and incorporated in 2006 on the South African Companies Register as "Orangeworks Software".

Account Works Software defended the matter and a full answer was lodged in reply to the company name objection. The Registrar of Companies ruled on 18 October 2007 that the Orangeworks Software company name was undesirable in terms of Section 45(2) of the Companies Act 61 of 1973 and its name was changed to Account Works Software on the Companies Register. Account Works Software proceeded to trade under its ORANGEWORKS trade mark.

The ORANGEWORKS trade marks were examined by the Registrar of Trade Marks in May 2007 and the Registrar requested that the applications be endorsed with disclaimers for the "ORANGE" element. The ORANGEWORKS trade marks then proceeded to advertisement in the Patent Journal for opposition purposes on 28 May 2008 and 28 October 2009.

Orange Personal Communication Services requested extensions of the trade mark opposition terms and proceeded to launch formal trade mark opposition proceedings against the ORANGEWORKS trade marks on 26 November 2008 on the basis that the proposed registration of the ORANGEWORKS marks will offend against Section 10(15) of the Trade Marks Act 194 of 1993.

In principle, Section 10(15) bars the registration of a trade mark which so nearly resembles another mark that it is likely to deceive or cause confusion when used in a normal and fair manner in respect of the relevant goods the respective trade mark applications cover.

> *"Account Works Software argued that the inclusion of one mark in another mark does not per se or automatically lead to confusion, as marks must be considered as wholes."*

Despite that Orange Personal Communication Services is the proprietor of a substantial trade mark portfolio including various registered entries for its ORANGE mark in relevant classes, it based its opposition only on trade mark application no: 2005/16116 ORANGE in class 9 which inter alia covers "…computer programs, computer software..".

Regarding the comparison of the marks, ORANGEWORKS vs ORANGE, it was argued by Orange Personal Communication Services that the trade marks are confusingly similar as ORANGE is wholly incorporated in ORANGEWORKS and that ORANGE is the first, dominant and most memorable feature of the ORANGEWORKS mark.

Account Works Software argued that the inclusion of one mark in another mark does not per se or automatically lead to confusion, as marks must be considered as wholes. A lot of trade evidence was represented on examples of other South African businesses in the information technology sector using or registering the element "ORANGE" in their domain names, company or close corporation names or trading styles. This evidence supported the argument that members of the public is not likely to be confused by ORANGEWORKS, as they are likely to be aware of other "ORANGE" businesses in the same sector.

However, it appears that it was the test applied for the comparison of the respective goods covered by the respective marks which made the Registrar rule in favour of Account Works Software.

In this regard, evidence presented by Account Works Software inter alia proved that the specific sector of the public who is likely to encounter the ORANGEWORKS trade mark related mostly to business owners or managers and accountants who generally conduct proper research before purchasing the type of goods covered by the ORANGEWORKS trade marks, namely accounting software.

The Registrar further disagreed with the argument that since both specifications refer to "computer software" that the goods are accordingly identical. No evidence was presented to show that use of the ORANGE trade mark in relation to "computer software" and "computer programs" encompasses use in relation to "software relating to accounting".

According to the Registrar, Orange Personal Communication Services succeeded to prove use of its ORANGE trade mark in relation to telecommunication goods, and not in relation to accounting software.

Evidence submitted revealed that around 88.6 million customers are using ORANGE telecommunication goods and services in 23 countries around the world.

The Registrar therefore concluded that the ORANGE and ORANGEWORKS trade marks may co-exist on the Trade Marks Register in class 9, as, in view of the different goods covered, confusion or deception is not likely to occur.

Even side by side use of the respective marks in the normal and fair manner in the ordinary course of business in relation to accounting software on the on hand, and telecommunication goods and services of the other hand, is unlikely to create a reasonable likelihood of deception or confusion in trade.

Orange Personal Communication Services filed a notice of appeal and the appeal is set down for hearing in the High Court in Pretoria, Gauteng on 29 August 2012.

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patents | trade marks | copyright | designs

Gunter Attorneys is a dynamic and innovative boutique IP law firm specialising in various aspects of intellectual property law and commercial matters relating to intellectual property.

The firm was established in 2011 by Rina Gunter, a patent attorney and an attorney of the High Court of South Africa. She specializes in the drafting, filing and prosecuting of local and international patent, design and trade-mark applications internationally on behalf of both South African and foreign based applicants.

As a consequence of her technical background she has done a significant amount of IP legal work in the organic- and inorganic chemistry, material science, mining, mineral processing, water purification, food processing and agricultural chemistry technologies, to name but a few technical practice areas.

In 2010 Rina was elected as one of three finalists in CEO Magazine's Most Influential Women in Business and Government Awards, Legal Sector.

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No Cutting Corners in Copyright Litigation

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patents • trade marks • copyright

By Herman Blignaut

It is trite law that copyright is a technical subject. A heavy burden of proof rests on the shoulders of a Complainant in copyright infringement proceedings. In short, it is necessary for a Complainant to show that the works in respect of which protection is sought are eligible for copyright and that copyright subsists in the works.

This requirement includes proof that the works relied upon are indeed "works" as defined in the Copyright Act, 1978, are original and not copied from any pre-existing work, have been reduced to material form, were created by a qualified person, that the Complainant is the owner of the (copyright in the) works and that there has been an infringement of the works.

In respect of the latter, it is necessary for a Complainant to show a (qualitatively) substantial similarity between the alleged copyrighted work and the alleged infringing work and causality, i.e. actual access to the alleged copyrighted works by the alleged infringer and a copying. A Court must be properly apprised of the relevant facts from which inferences or conclusions as to the subsistence of the rights on which a Complainant relies can be drawn. The Complainant itself cannot simply draw conclusions and present these conclusions as facts without placing before the Court the factual basis from which the inferences or conclusions are drawn.

Few cases have highlighted this principle as well as the judgment in the matter between TeleAtlas Africa (Pty) Ltd and MapStudio (a Division of New Holland Publishing (South Africa) (Pty) Ltd) -v- Afrigis (Pty) Ltd (Case no. 14421/11 in the North Gauteng, Pretoria Division of the High Court of South Africa dated 13 May 2011).

This matter revolved around the alleged copying of certain maps (in both hard copy and digital format). The Complainant approached the High Court for an interdict claiming that its copyright in certain maps were being infringed making reference in its evidence to so-called "copy-traps" which it alleged were also incorporated in the Respondent's maps covering corresponding areas. The Court dismissed the application referring to various omissions in the Complainant's papers which were detrimental to its cause. The Complainant did not attach to its affidavits any of the Street Guides to which it referred and which presumably depicted the maps at issue.

Nowhere in their affidavits did the Complainant explain what a Street Guide is or what it consists of and identify which part of each Street Guide is an artistic work and which part is a literary work. This is where the Court held the Complainant's difficulties started, i.e. with the identification of the subject of the copyright. As a result, it was impossible for the Court to form any idea as to the precise nature and extent of the Street Guides.

Due to the Complainants' lacking evidence they were not able to show that they own the copyright in respect of the Street Guides and Digital Maps. To add insult to injury the Court held that even if it is accepted that the Complainant is the owner of the copyright in respect of the maps, there are a number of obstacles in the way of finding an infringement of that copyright. The Court highlighted three such obstacles:

The Respondent denied reproducing or adapting the Complainants works in any manner and went to great lengths in describing in detail how it created its maps. There was no visual similarity between the Complainants' maps and the allegedly infringing maps (the one set of maps being drawings with the other set consisting of aerial photographs with the street names superimposed thereon). The Complainants copy-traps were disputed and the Respondent's evidence indicated that most of the alleged copy-traps in any event appeared in other works;

The Complainant did not establish which Guides are the subject of the alleged infringement. Without the relevant guide being identified, the Court could not find that the copyright in respect of any one Guide had been infringed;

The substantial part of the relevant Guide allegedly reproduced was not identified. If the relevant annexures to the affidavits were pages from a book (as the Court held they appeared to be) it was not possible to conclude that they constitute a substantial part of the work. There was thus no objective similarity between the works and the Respondent's works did not contain any recognisable features of the Complainants works.

The Court proceeded to volunteer its guidance as to how the Complainant should have gone about proving its case. It should be mentioned that even if the Complainant had set out its case in this manner, it would not be entitled to an interdict as the Court also held there to be no copying of any substantial part of the Complainants' works by the Respondent. The guidance, however, must be embraced so as to clear the preliminary hurdles before the question of a possible infringement is considered. The Court set out its observations as follows:

- In order to establish a clear right the Complainant first had to identify the maps or digital maps which are alleged to be the subject of their copyright (this is of the utmost importance) and having done so the Complainants had to establish in respect of each map and digital map that–

~ Copyright subsists in the map or digital map, i.e.:

- Each author reduced it to material form;
- It is original in that it was not copied from other sources and was the product of the author's or maker's own labours – or if it was copied, was not slavishly copied and, as a result of the author's own skill and labour, it achieved originality;
- Each author was a qualified person because, when the map was made, the author was a South African citizen or was domiciled or resident in South Africa or the company in whose service the author was, was a company

incorporated under the laws of the Republic of South Africa. Alternatively, the map was first published in South Africa;

- Each author of the map made the map in the course and scope of his employment by the employer; and

- The author's employer assigned the copyright in the map to a person who assigned it to the Complainant.

- Having established that they are the owners of copyright in the maps and digital maps the Complainants had to prove that the Respondent infringed their copyright in the map or digital map by reproducing it (i.e. by making a copy of a substantial part of the map or digital map) or by making an adaptation of the work (i.e. an adaptation of a substantial part of the map).

As stated above, in proving each of these issues it is not sufficient for a Complainant to simply expect a Court to draw conclusions from its statements. Detailed factual evidence must be adduced on each point from which a Court can draw its own conclusions. Where possible, documentary and other corroborating material must be filed in support of factual statements.

Whilst copyright litigation can at the best of times pose a complicated ordeal, it is important to stick to the basics, e.g. where you rely on an alleged copyrighted work which is claimed to have been infringed, to actually attach a copy of the copyrighted work to the founding affidavit or ensure that it is otherwise properly before the Court.

Assuming that a Complainant has sufficiently dealt with the issues pertaining to subsistence and ownership of copyright and deals with the question of infringement, a copy of the alleged infringing work must similarly be put before a Court for a comparison on the issue of the similarities between them. A Complainant should cut no corners nor take any shortcuts in putting its case before a Court. It is only through appropriately dealing with each of the facta probanda that a copyright owner can have any reasonable prospect of success.

Herman Blignaut is a partner at Spoor & Fisher. Herman's field of practise includes trade mark, copyright and unlawful competition litigation, including but not limited to trade mark oppositions, trade mark and copyright infringement, domain name, company and close corporation name objections, trade mark searches and prosecution.

Herman is a Fellow of the South African Institute of Intellectual Property Law (SAIIPL) and also lectures and acts as an examiner in Practice Copyright Law for the SAIIPL.

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Registration of Technology Transfer, Trade Marks & Allied Agreements in Nigeria

By Professor Bankole Sodipo* & Daniel Ozoma**

GOS BARRISTERS & SOLICITORS

I - Introduction

The National Office of Technology Acquisition and Promotion NOTAP,[1] is gaining increased significance for it regulatory role. NOTAP is empowered to register contracts between Nigerians and foreigners that deal with the use of trademarks; the right to use patented inventions; and the supply of technical expertise in the form of the preparation of plans, diagrams, operating manuals or any other form of technical assistance of any description whatsoever.[2] NOTAP also registers agreements that deal with the supply of basic or detailed engineering; the supply of machinery and plant; and management services agreement on the provision of operating staff or managerial assistance and the training of personnel.[3] As such, unless exempted, many companies using one form of technology, trade mark, franchise or management service, must register their contracts with NOTAP.[4]

II - Importance of NOTAP Registration

The Court of Appeal has held that the failure to register contracts required under the NOTAP Act to be registered, does not make the rights associated with such contracts unenforceable.[5] However, the Law Lords rightfully held that payment cannot be made under NOTAP registrable contracts, unless a NOTAP certificate of registration has been issued.[6] Today, the Central Bank of Nigeria will not permit the transfer of funds to any party outside Nigeria for a contract that is registrable by NOTAP, but remains unregistered by the parties. This makes NOTAP registration critical to many companies.

Not only can NOTAP refuse to register a contract, it has power to demand the submission of information relevant to the contract sought to be registered.[7] Failure to file such information is an offence.[8] The submission of false information is also an offence.[9] Further, corporate veil can be lifted so that the officers of the company responsible, may be prosecuted.[10]

III - NOTAP's Power to Intervene

In regulating these contracts, NOTAP is empowered to review them and either request for amendments to be made to the contracts, refuse the registration of such contract, or even cancel the contracts.[11] In particular, section 6(2) of the NOTAP Act specifies the conditions under which NOTAP "shall not"[12] register contracts. These conditions include the following:

a. where its purpose is the transfer of technology freely available in Nigeria;

b. where the price or other valuable consideration therefore is not commensurate with the technology acquired or to be acquired;

c. where provisions are included therein which permit the supplier to regulate or intervene directly or indirectly in the administration of any undertaking belonging to the transferee of the technology and are, in his opinion, unnecessary for the due implementation or execution of such contract or agreement;

d. where there is an onerous or gratuitous obligation on the transferee of the technology to assign to the transferor or any other person designated by the transferor, patents, trademarks, technical information, innovations or improvements obtained by such transferee with no assistance from the transferor or such person;

e. where limitations are imposed on technological research or development by the transferee;

f. where there is an obligation therein to acquire equipment, tools, parts or raw materials exclusively from the transferor or any other person or given source;

g. where it is provided that the exportation of the transferee's products or services is prohibited or unreasonably restricted or where there is an obligation on such transferee to sell the products manufactured by it exclusively to the supplier of the technology concerned or any other person or source designated by the transferor;

h. where the use by the transferee of complementary technologies is prohibited;

i. where the transferee is required to use permanently or for any unconscionable period personnel designated by the supplier of the technology;

j. where the volume of production is limited for sale and where resale prices are, in contravention of the Price Control Act or any other enactment relating to prices, imposed for domestic consumption or for exportation;

k. where the transferee is required to appoint the supplier of technology as the exclusive sales agent or representative in Nigeria or elsewhere;

l. where the contract or agreement is expressed to exceed a period of ten years or other unreasonable term where this is less than ten years;

m. where the consent of the transferor is required before any modification to products, processes or plant can be effected by the transferee;

n. where an obligation is imposed on the transferee to introduce unnecessary design changes;

o. where the transferor, by means of quality controls or prescription of standards, seeks to impose unnecessary and onerous obligations on the transferee;

p. where there is provision for payment in full by the transferee for transferred technology which remains unexploited by him;

q. where there is a requirement for the acceptance by the transferee of additional technology or other matter, such as consultancy services, international sub-contracting, turn-key projects and similar package arrangements, not required by the transferee for or in connection with the principal purpose for which technology is to be or has been acquired by him;

r. where the transferee is obliged to submit to foreign jurisdiction in any controversy arising for decision concerning the interpretation or enforcement in Nigeria of any such contract or agreement or any provisions thereof.

IV - Some Causes of Delay in NOTAP Applications

Despite NOTAP's guidelines that seek to help applicants meet its requirements, applicants experience undue delay in obtaining NOTAP certificate. This can have serious implications in the execution of contracts as parties may be frustrated if royalties or fees due are not approved by the Central Bank and not remitted. The following causes of delay have been indentified:

1. Agreements presented for Registration may not meet the requirement of the local legislation. According to NOTAP statistics, this is a high cause of delay. Unless changes are effected, NOTAP will not register such agreements.

2. The second problem is that parties execute and implement agreements before presenting same for registration with NOTAP. In a situation where parties have already executed and implemented the agreement before presenting same for registration with NOTAP and such agreements do not meet the NOTAP's statutory requirements, NOTAP will not register these agreements rather insist on correcting them in line with their regulations and this will cause both delay and confusions between the parties.

3. Thirdly agreements not containing provisions/clauses to domesticate the technology or enhance local vendors to develop and promote the technology locally. This makes the Agreement one sided and may be viewed as a conduct pipe to transfer Nigeria's scarce foreign exchange be used in moving money abroad in perpetuity.

V – Conclusion

It is therefore important for the parties to engage the services of professionals conversant with the NOTAP requirements prior to negotiating intellectual property agreement that seek to transfer foreign technology or support management services. This will ensure that such agreements meet the statutory and regulatory requirement of NOTAP. This will eliminate delay in the registration of the Agreement by NOTAP. Further, prior to executing the agreement, a draft copy may be submitted to NOTAP for vetting. This will eliminate delays in NOTAP clearance or registration.

1 - *Ph.D (London), partner, G.O. Sodipo & Co. ** LL.B (Hons), Senior Associate, G.O. Sodipo & Co.
Set up originally in 1979 as the National Office of Industrial Property NOIP, NOTAP was set up by the NOTAP Act, 1979 No. 70., now Chapter N62, 2004 Laws of the Federation of Nigeria, initially to monitor transfer of technology contracts between foreigners and Nigerians.

2 - S.4(d) ibid 3 - S.4(d) ibid 4 - Exemption have been granted o some companies such as the Nigerian LNG. This was done by an Act.

5 - Beecham Group v. Esdee Foods Ltd. (1985) 3 NWLR pt.11 pg.112.

6 - S.7 ibid. Beecham's case supra. 7 -S.14 ibid 8 - S.15(1) ibid

9 - S.15(2) ibid 10 - S.17 ibid
11 - S. 8 ibid 12 - Nigerian jurisprudence and principles of interpretation suggest that SHALL means mandatory.

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He was a member of the 1988 Copyright Drafting Law Committee that prepared the Nigerian Copyright Act 1988.

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He is a regular contributor to leading international journals. His major publications includes a book on Nigeria's Foreign Investment Law and Intellectual Property Rights and a book on Piracy and Counterfeiting: GATT-TRIPS and Developing Countries. He has also worked with leading firm of solicitors and at Barristers' chambers in London.

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He is the President of the Intellectual Property Law Association of Nigeria which is the local organization that liases between the government and the private sector in lobbying for reforms in the administration, adjudication and enforcement of Intellectual Property Rights. He was a member of the committee that drafted Nigeria's Intellectual Property Policy.

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BARRISTERS & SOLICITORS

Franchising and Intellectual Property Protection – A Nigeria Perspective

Jackson, Etti & Edu
Corporate Commercial • Dispute Resolution • Intellectual Property

By Chinyere Okorocha

Over the last decade, Franchising has gradually become a popular business model in Nigeria. Cutting across all areas of economic endeavor, it is now employed in the production, distribution and sale of goods and services, thus satisfying important market needs.

Definition

A franchise may be defined as an agreement between two legally independent parties, which gives one party the right to use the trademark/ trade name/service mark/operating method/ know-how/ business method/ procedural , technical, industrial or intellectual property rights and so on of another in doing business.

A typical franchise arrangement will generally include among other things, a license to use the system, a shared development or improvement obligation and the franchisor's right to determine how the business operates.

It is a business model in which the reputation or goodwill, innovation, and know-how or expertise of one party is permitted to be used in business by another in exchange for a consideration.

The individual who purchases and runs a franchise is called a "*franchisee*", whilst the franchisee purchases a franchise from the "*franchisor*." The franchisee must abide by certain rules and guidelines already established by the franchisor, and must pay an ongoing royalty or a one-time franchise fee to the franchisor.

Types of Franchises

There are two main types of franchise usually found in Nigeria, namely *Product Distribution* and the *Business Format*.

In *Product Distribution*, the franchisee may use the trademark/trade name of the franchisor. However, he is usually not given or allowed the use of the franchisor's full business method or other numerous Intellectual Property rights. This type of franchising is popular with the soft drinks distributors and petrol stations.

Under the *Business Format* however, the franchisee uses the franchisor's entire business package and trade name as well as other Intellectual Property, including the marketing and operational manual, goodwill, know-how, trade secrets, and so on. The most popular franchises now in Nigeria include: Clothing Stores like Wrangler, Mango, etc., Brand Stores like Fossil etc., Hotel chains like Protea Hotel, Sheraton Hotel and Towers, Best Western, Ibis Hotels etc., fast food chains like Kentucky Fried Chicken, Nandos, Chicken Republic, Creamy Inn, On the Run etc.

However, no matter the type of franchise, it is still a contractual relationship and like all contracts, the franchise agreement is defined by terms and a series of duties, obligations and promises under the contract.

The essential minimum terms of the agreement include the term (duration), territory (geographical location), fees, support, restrictions and limitations, exit (termination), "goodwill", insurance cover, and the usually disregarded term, which is the Intellectual Property.

The Intellectual Property Aspect of a Franchise

Intellectual Property plays a vital role in franchise agreements as it is what gives the business its competitive edge and market value. It is the platform on which the franchise is valued. Most franchises ride on the name of the brand, without which the franchise may not even be attractive to a prospective franchisee.

The most significant areas of intellectual property in Nigeria's franchise systems are trade marks, copyright and know- how.

A *trademark* includes any sign capable of being represented graphically, this include a device, logo, signature, words, phrase or slogan, letter (s), number (s), the shape and configuration of a product or part thereof, the pattern and ornamentation appearing on a product, packaging or advertising materials, or any combination of the above.

Copyright is the right of a creator, inventor or author not to have his work copied or reproduced without his consent or authorization. It is the protection given to works of the human intellect, particularly, literary and artistic works.

According to Wikipedia *Know-how* can be defined as "confidentiality held, or closely held information in the form of unpatented inventions, formulae, designs, drawings, procedures and methods, together with accumulated skills and experience. Simply put therefore, know-how refers to trade secrets or technological/ methodological expertise which sets one enterprise apart from the other.

The Intellectual Property rights of a Franchisor may be protected as follows:

1) Confidentiality Agreement

Franchisees are usually privy to lots of confidential information, so it is necessary that confidentiality agreements be executed between the parties.

In the absence of the above, it may be difficult to protect the Intellectual property of the franchisor. On the other hand, where there is a subsisting confidentiality agreement, also clearly stating the extents of the use of the Intellectual property rights, the franchisor shall be able to legally enforce its IP rights whilst protecting the same.

2) Trademark Registration

Another means of protecting Intellectual Property rights under a Franchise agreement is by the registration of the brand name or trade marks. Our trade mark Laws grant the proprietor of a mark the exclusive right to the mark as long as it is registered and this right can also be enforced.

In this way, a franchisee and other third parties may only use the brand to the extent that the franchisor grants them the license or permission to use the same.

3) Copyright

It is important to mention at this point that all the manual, manuscript, articles and so on handed down to the franchisee either for training purposes or any other reason are all protected by copyright.

4) Others

The franchisor may also protect its brands via other means such as checking the franchisee or the outlet with surprise spot inspections from time to time, ensuring that the terms of its agreement with the franchisee obliges the latter to report periodically on the outcome of the franchise and its proper use of the same, requesting royalty or fees (whether fixed or in percentages) at a good price so that the franchisee values what it has received and so on.

Franchising in Nigeria

Unlike Europe and other developed economies of the world, the Franchise Law in Nigeria is yet to be enacted.

Although the Federal Government, African Development Bank (ADB) and other organizations such as the Nigerian International Franchise Organization encourage franchising in Africa as a whole within the territory and Nigeria in particular, it is obvious that there is still a long way to go in the development of the appropriate Statutory backing for franchises.

Note however that Franchising is not a new concept in Nigeria, even though now popularized by the recent increase in the fast food and Hospitality markets. It has been reported that franchising existed in Nigeria even in the 1960s. Companies such as the Nigerian Bottling Company (NBC), and oil and gas firms such as Total, Mobil and so on have effectively used this business model for decades now.
The above stated fact may be as a result of the following reasons:

1) Franchising provides the franchisee with a level of independence. This also saves the franchisee time and energy required to build his business.

2) There is a higher chance of success for the Franchisee who conducts his business based on association with proven methods and products. The franchisee does not have to acquire specialized knowledge or skill to run his business as that is usually already laid down for him in the manuals.

3) Business risks are drastically reduced and the franchisor is often close by to provide training, support services, and assistance to the franchisee.

4) The franchisor's brand can spread to areas it may not easily have reached without the franchisee

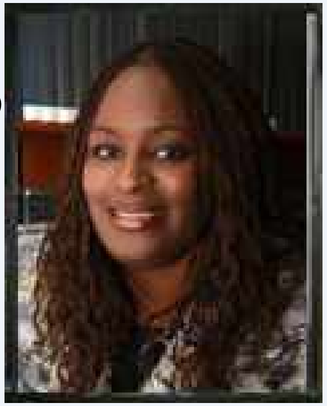
5) Advertising is usually undertaken by the franchisor for the benefit of the franchisee.

6) On going research and development and so on.

Conclusion:

It is important to note that the franchise system in Nigeria depends to a large extent on commercial laws such as the Trademarks Act, Patent and Designs Act and simple Laws of Contract. There is however no laid down guidelines/procedure for entering into a franchise agreement in Nigeria. This is unlike what obtain in the United States and some European countries where such laws as the *European Code of Ethics for Franchising* and *British Franchise Association Code of Ethical Conduct* regulate the contractual relationship between the franchisor and franchisee. The need for the relevant statutory backing cannot be overemphasized.

Chinyere Okorocha is a Partner in the Law Firm of JACKSON, ETTI & EDU and is also the current serving Chairperson of the Intellectual Property (IP) Committee of the Nigerian Bar Association, Section on Business Law.



She obtained her law Degree from Imo State University Okigwe, Nigeria, in 1990 and was admitted to the Nigerian Bar in 1991.

Chinyere has over 20 years of practical IP experience and is internationally recognized as an authority and specialist in this area of law.

She has excelled over the years, and at present, advises numerous blue chip clients on all aspects of IP, and related issues; she is personally responsible for the IP portfolio management of a number of internationally renowned corporations.

She was nominated as one of Nigeria's 50 most influential women in the Legal Profession, by Nigerian Businessday Newspaper of April 14th, 2011.

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