

*REVIEW of trends and events*

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*1994/1995*

*TMPDF*

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*1920-1995*

*Trade Marks Patents and Designs Federation*

## **ORIGINS**

The Federation, the first of its kind in the world, owes its origin to the creation in 1913 of a Committee of representatives of industry to oppose the British Empire Trade Mark which was then being considered. Successful in this and in its opposition to the Trade Marks Bill of 1918, it went on to make representations which resulted in the modification of the Trade Marks Act of 1919. By then the need for a body to represent the views of industry in this field had become clear, and the Federation was formally established in 1920.

## **OBJECT**

The Federation's main object has always been to bring about improvements in the protection afforded by intellectual property rights throughout the world to the advantage of inventors, manufacturers and consumers alike.

IPR are valuable assets, but while the need to safeguard them is obvious, the means of achieving this is far from simple. Laws differ from country to country and are often changed arbitrarily and without regard to the commercial consequences. At the same time, the speed of technological change and the growth in its importance have increased ever faster.

It is against this background, and in order to ensure that the interests of industry and commerce are effectively represented, that the Federation operates.

## **CONTACTS**

The Federation is regularly consulted by the Patent Office and other government departments and agencies both directly and through its membership of the Standing Advisory Committee on Intellectual Property (SACIP). It has long had a close relationship with the CBI, which it represents on the various IP working groups of UNICE, and with professional bodies in this country, such as the Chartered Institute of Patent Agents and the Institute of Trade Mark Agents. It also has representatives on the Users Committees of the Patents Court and the newer Patents County Court.

Outside the UK it has lines of communication to the EC Commission, has a representative on the Standing Advisory Committee of the European Patent Office (SACEPO) and is one of the non-government organisations invited to participate in meetings organised by WIPO.

## **MEMBERSHIP**

Details of membership may be obtained from the Secretary, whose address and telephone and fax numbers are given below.

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Crawley  
Sussex RH10 6AE  
England

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REVIEW BY THE COUNCIL OF TRENDS AND EVENTS  
1 APRIL 1994 TO 31 MARCH 1995

**PROLOGUE**

*To promote and secure mutual support and co-operation amongst traders in the British Empire and Foreign Countries in all matters relating to trade marks ... patents, designs, copyrights and other analogous rights ... and to promote the interests of such traders in relation to any of the matters aforesaid.*

Seventy-five years ago, on 23 April 1920, the Federation was formed to continue the work started seven years earlier by a small group of industrialists who were concerned about a possible British Empire Trade Mark. With such origins the Federation could have been narrowly protective, but the intention of its founders was very different as is shown in its first object reproduced above.

Shakespeare, whose birthday the Federation shares, is thought of as essentially British, and yet he was not insular. Even if he likened Britain to 'this precious stone set in the silver sea' which defended it 'against the envy of less happier lands', more than half his plays were set in other countries.

The founders of the Federation certainly regarded industry's stake in intellectual property (an expression which was almost certainly unknown to them) as a precious stone which required to be protected. But not through insularity. For all the world is, after all, its stage.

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**DOMESTIC ISSUES**

**Compulsory Licences**

● **ECJ Ruling**

In Case C30/90 the European Court of Justice ruled that Sections 48 and 50 of the Patents Act 1977 are contrary to Article 30 EEC. The Comptroller has powers to grant compulsory licences to manufacture under a UK patent because of non-working in the United Kingdom and could exercise them because of imports from the EEA. The court regarded this as a measure equivalent to a quantitative restriction on imports from the rest of the European Union, already ruled to be illegal. The Government proposes to comply with the ruling, not by prescribing that imports from the EEA must not constitute the grounds for a compulsory licence, but by widening the Comptroller's powers to consider non-working in the whole of the EEA.

The Federation has pointed out that since the Government retains powers to grant compulsory licences to manufacture,

Sections 48 and 50 remain illegal. The Federation has also pointed out the adverse economic effects on British industry, the legal uncertainty and the possibility of oppressive compulsory licence applications which would result. In addition it has drawn attention to the need for companies of all sizes to be aware of (and give evidence in respect of) exploitation of the relevant invention throughout the whole vast EEA area, and the bad example set to developing countries and the southern countries of the European Union. The retention of such powers cannot fail to be another reason for companies, small and large, to find the patent system unattractive.

● **TRIPS**

The Federation made its views known in May 1994 to the Government. Sections 48-50 and preferably also the Crown use sections should be aligned with Article 31 of TRIPS. TRIPS requires a case by case approach to compulsory licences, whereas the Act contains blanket enabling powers, for instance to convert patents to a licence of right regime. TRIPS also requires the observance of conditions with no counterparts in the Act. The Act empowers the grant of compulsory licences as the result of non-working in the United Kingdom, or because of imports. Article 27(1), TRIPS requires non-discrimination between imports and locally manufactured goods and bans compulsory licences for semi-conductor inventions altogether. The failure to amend the Act is used as an excuse by Spain and Portugal to avoid amending their laws and in turn many developing countries, especially the Spanish and Portuguese speaking ones, refuse to amend theirs.

**Intellectual Property Research**

● **ESRC/Patent Office joint workshop**

In December, the President, together with a number of Federation members attended this Workshop which was aimed at assessing the need for research in Intellectual Property matters and the type of research which might be required. The ESRC subsequently decided to sponsor a research programme and called for research proposals. The Federation has been asked to assist those putting forward research proposals where this is appropriate and has agreed to do so.

● **Intellectual Property Institute**

The Intellectual Property Institute (formerly CLIP) is now funded by ten major UK companies who are represented on the Board of the Institute, all of the sponsoring companies also being members of the Federation. The Institute has also constituted a Council of Experts on which the Federation is represented by the President or a nominated substitute. The function of the Council of Experts will be to assess and select any research proposals which are submitted and to monitor the research as it proceeds.

### Meeting of Judges

#### ● Industry's views presented

European IP judges, with guests from the USA etc, met in Newport in September under the auspices of the European and UK Patent Offices. A member of Council was asked by the organisers to present a paper on 'The views of industry on requirements for adequate and effective patent protection in Europe'. The three main points made were the need for

- low(er) cost
- proper level for patentability, and
- quick, affordable and uniform litigation.

On the first of these the high cost of translations was again emphasised, while on the second general support was given for current European levels of patentability. On the final point, uniformity as a far-off but very important goal was stressed. Without this innovation achievement of a single open market would be hampered.

### UK Patent Office

#### ● Government Review

In December 1994 the Government announced that the Patent Office would not be privatised for the time being but that it would be retained as an Executive Agency. This welcome news came after months of speculation and uncertainty following the Price Waterhouse review on the future organisation and management of the Office. Although privatisation remains an option for the long term, the Comptroller's view is that it will not take place this side of the next general election, and it is unlikely to occur much before the end of the century.

It would appear that the across the board objections by interested parties, based principally on the need to maintain judicial impartiality, persuaded the Government not to attempt privatisation in the foreseeable future.

#### ● Combined Search and Examination

The Patent Office plans to introduce from July 1995 a procedure whereby substantive examination of patent applications will be carried out at the same time as the search. This will be of particular benefit to applicants who wish to have an early substantive examination report, or early grant of a patent. The present normal procedure whereby substantive examination occurs after search and publication of the application will continue to be an alternative option.

The plans have been discussed at the Patents Committee, and full support for the procedure has been given to the Patent Office.

In principle, the procedure would permit grant as early as about one year from filing of the application, and of course rapid grant is one of the advantages of an STP system. If the new procedure can lead to patent grant so quickly, while incorporating full search and examination, the need for a UK STP system would appear to diminish even further.

#### ● Deregulation – Patents and Designs Rules

The Patents and Designs Directorate of the Patent Office have recently set up a Deregulation Task Force to look at the Patents and Designs rules in order to remove or simplify requirements

while at the same time protecting legitimate public interest. The Patent Office invited a representative from each of CIPA, FICPI, ITMA, Federation of Small Businesses, and TMPDF to join the Task Force, which aims to meet once a month. TMPDF took the view that its interests could best be served by CIPA, and declined to send a regular representative, but retained the option to send a representative if it was felt appropriate. The Patents Committee will regularly receive copies of the Task Force reports, and will provide input into these.

To date, the Task Force has concentrated on those Rules which relate to Renewals and Restorations.

### Reform of Patent Litigation

#### ● Woolf Inquiry

In February 1995 the Federation made a written submission on the reform of patent litigation to the Inquiry under Lord Woolf into the Reform of the Civil Justice system. In general terms the submission supported the thrust of Lord Woolf's proposals for simplification and cost reduction as outlined in various articles in the press.

The principal point made by the Federation was that the Court and the parties should be obliged to take account of the commercial value of a patent controversy when handling the litigation. This would avoid costs becoming out of proportion to the value of the issue being litigated. Other points made in the submission included more judicial control of the litigation process, the elimination of automatic discovery and experiments and a tighter control of the use of expert witnesses.

Several members of Council took the opportunity of making these points to Lord Woolf in person during a Seminar chaired by him at the CBI on 14 February and it is hoped that these may influence his report due to be issued in late 1995.

#### ● Patents County Court

This relocated from Wood Green to Park Crescent, London W1 in July 1994. Although the Court is now well established, concern remains both over the costs of litigation and the standing of the Court insofar as this is reflected in the review of its Decisions by the Court of Appeal. In March 1995, a set of Model Pleadings was produced by a sub group of the Users Committee under Judge Ford, which should be of great help to future users and practitioners in the Court.

#### ● Patents Court

This also experienced change during the year with Mr Justice Jacob replacing Mr Justice Aldous on the latter's appointment to the Court of Appeal. Moves to streamline Court procedure have been actively pursued during the year and a proposal to limit automatic discovery in patent actions to a period of two years before and after the earliest priority date of a patent in suit is now before the High Court Rules Committee. Attempts are also being made to revive the practice of an 'early view' by the Judge in a patent action at the interlocutory stage, to indicate the likely outcome of the action at trial. This practice was discontinued following the House of Lords Decision in *American Cyanamid v Ethicon* in 1975 but the costs of High Court Litigation are assisting efforts for its re-introduction.

## Second Tier Protection

### ● Community wide or UK national system?

The STP debate has continued throughout the past year, perhaps the chief event being the Brockett Hall symposium held in July 1994 attended by participants from all over Europe, including EU Commission and European Patent Office representatives.

Two basic systems of STP were under discussion at the Symposium: one for a Community Regulation for a Utility Model system, put forward by the Max Planck Institute; the other for a UK national system, put forward by the Chartered Institute of Patent Agents. The TMPDF was represented at the Symposium, and the Federation's speakers continued to maintain opposition to the introduction of any form of STP into the UK. No consensus view emerged from the Symposium, but there seemed to be a majority opinion that harmonisation of the various existing national systems might be a better approach.

Since the Symposium, DGXV of the European Commission has commenced the preparation of a consultation document (a Green Paper), the objects of which are (i) to provide information on the current situation on STP in Member States, (ii) to present an evaluation of the economic value of STP, (iii) to consider existing problems in the Single Market, and (iv) to discuss the possibilities for action at Community level. The Green Paper will therefore deal with all possibilities for harmonisation ranging from the harmonisation of existing national STP systems in order to obtain similar systems in each Member State, to the establishment of a Community-wide STP system which would supplement but not replace the national systems. The Federation awaits the publication of this Green paper with great interest, and will continue to voice its opposition to the principle of STP in the UK.

## Trade Marks Act 1994

### ● Ladders and snakes

The long-awaited UK Trade Marks Act came into force on 1 October amid much celebration at the Trade Mark Office in Newport.

It is now possible to protect containers, colours, sounds and possibly even smells and in general the registration of trade marks will be easier under the new Act. Many formalities such as association, compulsory disclaimers, advertisement of certain types of assignment, and the many formalities associated with the registration of licences, have been abolished by the new legislation.

Although registration of marks may become easier, the searching process is now more difficult since an application can be rejected if the mark applied for is similar to an existing mark with a reputation in the UK, even if the mark with a reputation is registered for non-similar goods. Furthermore the fact that infringement rights now extend beyond the exact wording of the specification of goods means that great care has to be taken in advising that a mark can be safely used.

The wider scope of infringement rights will be of benefit but this has not yet been tested in the Courts.

## Unfair Trade Practices

### ● Should the UK legislate?

In his speech at the Annual Lunch in July 1994, the President expressed the view that UK law in the field was too narrowly founded in the Law of Passing Off and that greater flexibility was required in order to bring UK law more into line with that of other countries within the Common Market. This was particularly important in view of the likely development of imports from low cost foreign economies following on from the free trade principles embodied in the recent GATT Agreement. Material relating to foreign law and practice in this field is now being assembled so as to provide a basis for an assessment of the possible form of a UK law.

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## EUROPEAN UNION DEVELOPMENTS

### Commission Initiatives

#### ● Anti-Counterfeiting Regulation

The difficulties over the legal basis for the proposed new Regulation containing fresh measures against counterfeiting and piracy, which were referred to in last year's Review, were finally overcome and the Regulation was adopted on 22 December 1994, and it will apply as from 1 July 1995. It replaced and repeals the former Regulation No. 3842/86 which only dealt with trademark counterfeiting. The new Regulation is designed to strengthen and expand on this, for example by enlarging it to cover counterfeited copyright material and designs, and to conform with the requirements of the TRIPS Agreement of GATT.

The main features of the Regulation are:

1. A trademark owner may apply to the Customs authorities in any of the 15 Member States of the European Union for action to prevent the importation of counterfeit or pirated goods. He may be charged for this and he must supply a financial security to the Customs – which is refundable – to cover any costs they may incur in retaining any seized goods, and to indemnify the Customs if the seized goods should turn out not to be counterfeit or pirated.
2. Any application must be for a specified period of time and, wherever possible must identify:
  - the place where the goods are situated or the intended destination.
  - particulars of the consignment or packages,
  - the means of transport used,
  - the identity of the importer, exporter, or holder.
3. The Customs authorities will notify the trademark owner when any suspect goods are seized, but the owner has only three working days to act before the goods are released.
4. Any goods found to be counterfeit or pirated will, generally, be destroyed but the Customs have the power to take 'any other measures which effectively deprive the persons concerned of the economic benefits of the transaction'.

Specifically excluded from the above would be: re-export of the goods, removing the trademarks, and placing the goods under another customs procedure.

5. Counterfeit goods are defined as goods, their packaging, labels, stickers, brochures, instructions for use, or guarantee documents bearing an unauthorised trademark which must be a registered trademark.
6. Pirated goods are defined as 'goods which are or embody copies made without the consent of the holder of the copyright or neighbouring rights, or of the holder of a design right, whether registered under national law or not, or of a person duly authorised by the holder in the country of production, where the making of those copies infringes the right in question under Community law or the law of the Member State in which the application for action by the Customs authorities is made'.

### ● Draft Biotech Patents Directive (1988–1995)

The Draft Directive for the Legal Protection of Biotechnology Inventions died on 1 March 1995, when it was rejected by the European Parliament by a majority of 240 to 188 with 23 abstentions. The rejected text had been agreed by a 'conciliation committee' convened following the Parliament's 1994 amendments to the 'common position' text of the Council of Ministers and the Commission. The text which emerged from the conciliation committee was so ambiguous on the important issue of patentability of therapeutically useful proteins, DNA, cells and the like isolated from the human body, that it was accompanied by a 'declaration' of the Council of Ministers stating how they thought it should be interpreted. Needless to say, a 'counter-declaration' was to be put to the Parliament, disagreeing with the Council's interpretation, and if passed by Parliament the ambiguity would have been restored. For these reasons, many observers and interested parties were doubtful that the Directive, even if passed, would be uniformly enacted into national law, and that its harmonisation objective would not be achieved.

Reaction to the rejection of the Directive has been mixed. The majority view of the British industry appears to be: better no Directive at all than the ambiguous mess which developed towards the end. Others have been less sanguine, characterising its rejection as a serious blow to investment and job prospects in Europe. The Socialist Group and the Green factions with the Parliament are pleased at what they regard as a success in preventing legislation which would have legitimised the 'patenting of life'.

Soundings are being taken by the Commission on whether to produce a 'Draft Directive Mark 2'. However there are many in the industry who are strongly opposed to a resurrection, because they see no prospect whatsoever of the Parliament in its present mood passing any relevant legislation acceptable to and of benefit to the biotech industry.

### ● Community Patent Convention

For another year there is no progress to report or in prospect. The language problem worsens as more Member States adhere to the EEA. There are now 17 official languages in the EEA and 11 translations will be required, assuming that special agreements will be made with Iceland and Norway. The situation can only worsen in the future as more Eastern European countries join either the Union or the EEA. In the view of

European Industry there should be no translations, other than of the claims.

A pragmatic view of the problem reveals two opposed basic flaws in the CPC proposals. The first is the long standing one of insistence that a Community patent must designate, and be translated and renewed for, the whole of the EEA. The second is the draconian translation regime and the draconian loss of rights penalties for failure to supply translations on time, with the potential penalty of adverse findings on free circulation arising from implied consent in the territories where there was a failure to supply the translations, should a Community patent application have to be converted to a European patent. Since, from Magill, the ECJ can no longer be relied upon to give sensible rulings where there is a political issue, the whole question of the Community patent must be regarded by European industry as a seriously flawed exercise.

As previously, there is only one sensible way forward – which is to permit applicants to designate and pay for the protection they want and can afford.

### ● CTM and CTMO

Since the last Review a great deal of progress has been made in establishing the Community Trade Mark Office. The Office is presently housed in attractive premises in the centre of Alicante, but these are only temporary and the Spanish Government has announced that it will be building new offices which should be completed in about three years.

The following Officers were appointed:

President	Mr Jean-Claude Combaldieu
Vice Presidents	Mr Alexander von Mühlendahl Mr Alberto Casado

At the time of writing, the Office has a staff of about 35 persons. This should be increased to about 75 by the end of 1995, and to about 235 by the time the Office hopes to open for business in January 1996.

For the first three months the Office will only accept applications, and will not start awarding filing dates until Monday 1 April 1996. So all applications filed in the first three months of 1996 will get the same date.

A provisional list of fees was published, with 700 ECU being charged as a filing fee and 1100 ECU for the registration fee and 2500 ECU for a renewal. It is understood that the 1996 Budget for the Office is still subject to considerable negotiation with Brussels so neither these fees nor the above dates should be taken as firm. The Budget has been calculated on a premise of about 15000 applications being received in the first year. A considerable number of these, it is forecast will be marks claiming the seniority of earlier rights in EU countries.

The full title of the Office in Alicante is the 'Office for Harmonisation in the Internal Market (Marks and Designs)', but although this is sometimes abbreviated, in English, to OHIM the Office is usually referred to as the Harmonisation Office or the Alicante Office.

Much work remains to be done before the Office can commence work, and many questions remain unanswered. For example the Rules are still only in draft form and are not likely to be finalised until the autumn of 1995. But within the Office one detects a great deal of enthusiasm and the current staff appear to be determined to make this new venture a success.

● **Databases : legal protection**

The proposal for a Council Directive was amended and a third consolidated text was tabled by the Commission in June 1994. By October 1994 the German Presidency had table additional text in an attempt to streamline the proposal and by March 1995 the French Presidency had tabled a fourth consolidated text with the aim of reaching a Common Position by June 1995. The fourth text defines a database to include both electronic and hard copy materials and provides copyright protection for the selection and arrangement of materials in the database. Protection against unauthorised extraction from the database is provided through a *sui generis* right of 15 years. The Federation was represented at meetings at the Patent Office at which each text was discussed. The Government is pressing for a clearer definition of databases, a longer term than 15 years for the *sui generis* right and for the nature of the exclusive rights to be more clearly defined. The Federation supports these aims.

● **Industrial Designs: Regulation and Directive**

The Commission's proposals for a Regulation to set up a Community Design Registration system and a Directive for harmonisation of national laws on design registration were referred to the European Parliament. The 'repair clause', introduced to allow copying of car body parts three years after the vehicle is first introduced, is still the subject of intensive lobbying and heated debate. The Economic and Social Committee of the European Parliament split 62 votes to 61 in favour of retaining the repair clause. The Legal Committee held a hearing in Brussels and still has not reported.

TMPDF managed to agree a position paper on the proposed Design Regulation and Directive but without reaching a consensus on the repair clause. The Federation urged greater efforts to reach a compromise on the issue of spare parts in the interests of avoiding legislation embodying compulsory licensing that would create a precedent for further erosion of intellectual property rights.

The Federation's paper also expressed concern as to the ease with which Community Design Registrations would be obtainable and suggested that designs should not be enforceable until the Designs Registry had conducted a validity review. The Federation also pressed for the publication of Community Designs and for the provision of searching facilities meeting the needs of companies that wished to check for potential infringement problems.

● **SPCs for plant protection products**

On 9 December 1994 the European Commission formally adopted the Proposal for a European Parliament and Council Regulation (EC) concerning the creation of a supplementary protection certificate for plant protection products, having the number COM(94) 579 final. The Proposal, whose text is based closely on the medicinal products Regulation 1768/92, has entered the European Union legislative process.

● **Technology Transfer Block Exemption Regulation**

The Patent Licensing Block Exemption Regulation No. 2349/84 was due to expire at the end of 1994. The Commission issued a draft new Technology Transfer Regulation having several generally welcome aspects such as combining patents and know-how into a single regulation, reducing the black list, and not covering software or trademarks except as ancillary to

patents and know-how. However, it contained other features, notably market share restrictions in relation to exemption of exclusive and territorially limited licences, which met with almost unanimous objection, including from the Federation. In view of the weight of opposition the existing patent licensing regulation was extended for six months by Regulation No. 70/95 to enable the Commission to reconsider its position. A further revised draft regulation has been issued for restricted consideration which, although an improvement in many respects, still retains objectionable market share conditions.

**ECJ Case**

● **Magill Revisited**

In three related judgments in July 1991, the Court of First Instance upheld a compulsory licensing order of the European Commission involving three television broadcasters in the United Kingdom and Ireland. Each broadcaster used the copyright in programme schedules to reserve to itself the complete weekly schedule of its programmes. On request, and free of charge, each licensed any third party to publish its daily schedule and selected highlights of forthcoming programmes. In response to a complaint from Magill TV Guide Ltd, the Commission decided that this conduct infringed Article 86 of the Rome Treaty.

On appeal to the Court of Justice, an opinion of the Advocate General was issued in June 1994. The opinion proposed that the Court of Justice set aside the judgments of the Court of First Instance because the television broadcasters were not abusing a dominant position by reason of their licensing practices.

The Court of Justice has now issued a decision which, unusually, is contrary to the opinion of the Advocate General and dismisses the appeal of each Appellant. The Court stated that the basic information as to the Channel, day, time and title of programmes is the necessary result of programming by television stations, which are thus the only source of such information. This put the television stations in a dominant position. The refusal to supply the basic information, without justification, so as to reserve the secondary market of weekly television guides by excluding all competition was held to be an abuse of this dominant position.

**European Patent Office**

● **SACEPO Activities**

The SACEPO recently reviewed the state of the EPO business, which is now in surplus and does not need to raise fees, and indeed is now able to contemplate fee reductions. The Administrative Council and the EPO are engaged in a strategy exercise, to plan the future of patents in Europe. There was a review of costs especially those caused by translations, since industry needs costs comparable with those in USA and Japan. Translations add little value and are largely a wasted exercise. Many SACEPO members argued there should be no translations until litigation requires them, or at least they should be postponed to the end of the opposition period or any opposition. Proposals have been made to amend the European Patent Convention, but the SACEPO decided almost unanimously that while some changes might be beneficial these are outweighed by the dangers of unexpected and unwanted proposals which may be forced into the Convention.

The EPC was found to be compatible with TRIPS, notwithstanding difficulties with computer software and judicial review of revocation decisions.

There are annual meetings between members of SACEPO and the Boards of Appeal. These mainly discuss procedure. However, there has been growing concern on both sides of the decisions that the Enlarged Board of appeal has found itself to be obliged to make, in particular G1/93 (the amendment trap) and G3/93 (the publication between first and main filings trap).

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## INTERNATIONAL MATTERS

### Berne Convention

#### ● Accommodating new technology

The two Committees of Experts (one to consider a protocol to the Berne Convention and the other to consider a new instrument to protect the rights of performers and producers of phonograms) continued to meet in Geneva. The Committees are working on the clarification and improvement of language to deal with the impact of new technological developments such as the use of digital technology but progress remains slow.

### GATT: TRIPS and the WTO

#### ● A world of change

The Uruguay Round was concluded in December 1994 with ratification by the USA. Eighty countries and the European Union have now ratified, including all major countries, but not China, which was not a GATT member. As a result, the World Trade Organisation (WTO), the successor to GATT, came into being on 1 January 1995. There is now one year, until 1 January 1996, for developed countries to bring their laws into conformity with TRIPS and a longer period, 5–11 years for developing countries.

In Europe the ECJ has ruled that the question of implementation of the TRIPS Agreement lies jointly between the Member States and the Commission. This appears to be causing difficulties since some member States do not wish to bring their legislations fully into line.

Another aspect of the Uruguay Round is the expected increase in competition as the forecast increase in world trade takes place. While this creates opportunities, there will inevitably have to be a shift in developed countries towards innovation in order to maintain competitiveness. Otherwise the prospects for the future are dire. At the same time the stakes have been raised. TRIPS requires the patentability of new and inventive products. In a world of heightened competition there will be a higher level of contemporaneous invention with the result that he who gets the patent gets the market. This puts great pressures on exporting and innovating businesses with respect to patenting costs – a problem that must be addressed with urgency.

#### ● Getting ready

**USA:** In December 1994 the US Congress passed the GATT Implementation Bill, one result of this being that US intellectual property law will adopt the standards of the TRIPS provisions by 1 January 1996. However, important transitional provisions have been introduced which automatically extend the term of a US patent or pending application to the longer of 17 years from issue or 20 years from filing, providing the effective filing date of the patent or application was earlier than 8 June 1995. For applications filed after this date, the patent term will be 20 years from filing.

A further important change to occur on 1 January 1996 is that proof of an invention made outside the US and other NAFTA countries will be accepted to establish a date of invention in the US earlier than the US filing date of a patent application. The result of this is that foreign applicants involved in US patent interference proceedings will be able to rely on their lab note book records to establish invention dates, and should therefore no longer be at a disadvantage compared to US nationals.

**Japan:** In Japan the patent term will in the future be 20 years from the date of application, and amendments have been made to the law on compulsory licences and on what can be patented.

**Australia and New Zealand:** Both have introduced new patent bills which replace the present 16 year patent term with a 20 year term, in line with the TRIPS requirements. Neither country has taken the opportunity to introduce extra patent life for pharmaceuticals or agrochemicals to compensate for regulatory delays, analogous to the SPC protection provided by EEA countries. However, both governments have indicated that possibilities for obtaining such additional protection have not been ruled out and will be reviewed at some time in the future.

**Developing Countries:** Although developing countries have much longer than the developed ones to amend their laws, any country which makes use of the transitional provisions to delay granting pharmaceutical and agrochemical product patent protection must have provided by 1 January 1995 a means for filing patent applications on which patents will be granted and be enforceable when the relevant transitional provisions end (the so-called 'black box' or 'mail box' arrangement). While some countries have already provided such means, a number of other countries have not yet done so. The Federation continues to monitor this question and indeed questions relating to compliance around the world with all provisions of the TRIPS Agreement.

### The Hague Agreement on Designs

#### ● Danger of greater complexity

WIPO continues its work on the Hague Agreement at a measured pace. A new draft is available setting out proposals for making the Hague Agreement attractive to a broader range of states. Instead of a simple single set of formal requirements, three levels are proposed to accommodate different levels of examination. Applicants would have the choice of meeting the lower level (if they did not need protection in countries with stricter examination) and designating fewer countries or meeting the higher level and designating more countries.

WIPO's efforts are welcomed but there is a danger that the simplicity and low cost of the present Hague international deposit system will be lost without attaining the goal of US ratification.



## Madrid Protocol

### ● Hopes for a 1996 start

The Protocol is still not in force. In January 1995 Sweden ratified, thus doubling at one stroke the number of members of the Protocol, but it does not come into force until at least three months after a fourth ratification has been received. The United Kingdom government was known to be actively working on preparing the necessary secondary legislation, and it was hoped that ratification could proceed independently of this being approved by Parliament. Germany was also thought to be preparing legislation, while the European Community Harmonisation Office has expressed the hope that it would be able to ratify shortly after it opens for business in January 1996.

Present hopes for entry into force of the Protocol are centred on January 1996, with the Rules possibly being approved at the meeting of the Paris Union Assembly which will take place during the WIPO Governing Bodies meetings held in Geneva in September 1995, or shortly thereafter.

## Nice Classification

### ● Proposed Restructuring

Discussions are taking place at WIPO concerning a proposal to split Class 42 into at least four new classes; this would have the advantage of reducing the size of the existing Class 42 and the new classes 42 to 45 would contain homogeneous groupings of services. Although this might create problems for both users and the Trade Marks Registry in the short term, in the longer term it was thought that this proposal would be beneficial.

A further proposal to subdivide Classes 9 and/or 16 did not find much support.

A US proposal is also under discussion at WIPO. This aims to remove the anomaly between household utensils and hand tools whereby some kitchen or household utensils which are sold together fall in different classes. It is proposed that kitchen or household utensils should all fall in Class 21 except those which are of precious metal which fall in Class 14 while all hand tools which cannot be described as household utensils are in Class 8.

## Patent Law Treaty

### ● The long road to Harmonisation

The Federation has continued to support WIPO's attempts to conclude this Treaty believing that, if this were to happen, patenting costs would in the longer term be reduced. However, these attempts have in recent years met with little success mainly due to objections in the USA to the change from the first to invent system to the first to file system for granting patents. During the review period, WIPO tried to restart the Treaty negotiations by proposing to the Paris Union Assembly at its meeting in September 1994 that the second part of the Diplomatic Conference should be held in May 1995. However, the USA was against this proposal and so the Assembly finally decided that, in order to maintain the momentum of these negotiations, there should instead be held a meeting starting on 8 May in Geneva of a new Consultative Committee which would prepare for the Diplomatic Conference's second part and would have the power to decide the precise wording of

Articles in the WIPO Basic Proposal. The Federation, which has been invited to attend the Consultative Committee meeting, is also assisting IPP personnel in preparing the UK government's position for this meeting.

## Trademark Law Treaty

### ● Progress with strings attached

The Trademark Law Treaty, or TLT, was finally adopted on 27 October 1994 at the close of a three week long Diplomatic Conference in Geneva. The Treaty aims to simplify and standardise trade mark registration and renewal procedures. It was welcomed by industry in the UK and in Europe as a means of eventually speeding up the means of obtaining trade mark protection throughout the world and for reducing costs. The 1994 UK Act and the Community Trade Mark Regulation already conform to requirements of TLT.

But the long term advantage of TLT will be that it could provide the worldwide trade mark community with a means, if desired, for introducing changes in international law and practice without the need for amending the Paris Convention. This can be done through adding Protocols to the TLT, and WIPO has made it clear that among the first of such Protocols is likely to be one on defining well-known marks.

The Diplomatic Conference was not without its drama. The USA had made it clear in advance that it would not sign and could not ratify any Treaty which set up an Assembly at which the European Union would have a vote separate and in addition to the votes of its constituent member States. The Conference expended a great deal of time and discussion on this subject, which was only finally resolved by the expedient of dispensing with any Assembly under the TLT, thus obviating the need for any voting. The downside of this decision is of course that the Treaty can only be revised, and new Protocols can only be adopted, by diplomatic conference.

## National Developments

### ● China: London Conference on IP law

This Conference took place in August and included senior Chinese Government speakers. The President of the Federation was asked to speak on the perceptions of UK industry concerning Chinese Intellectual Property Law and Practice. The Chinese Government was congratulated on the speed with which they had developed their Intellectual Property Laws, but concern was expressed at the efficacy of the enforcement procedures. Until these were properly developed, UK and Western industry would lack the confidence to invest to a greater extent in the Chinese economy.

### ● Singapore Patents Bill

A new Patent Law entered into force in Singapore in February 1995, replacing the old system of obtaining protection by registration of a granted UK patent.

While the new law provides 20 year patent protection for, among others, chemicals and pharmaceutical products, it is deficient in a number of worrying respects, and does not meet the requirements of the TRIPS agreement. Firstly, there is the requirement for local manufacture of a patented product in order to resist compulsory licence applications. Secondly,

compulsory licences can be granted at any time for foodstuffs and medicines. Thirdly, the law supports the concept of 'international exhaustion of rights'. These negative provisions were retained in spite of determined objections from European and US trade bodies.

It is understood that the Singapore authorities intend to use the five year transition period allowed by GATT for developing countries in order to implement changes which will conform with TRIPS, but until then we will have to live with the negative provisions.

● **Taiwan – Petty Patents**

One of the more prominent recent revisions of Taiwan patent law was the removal of the provision concerning imprisonment from the section on infringement of full patents. No such revision was made, however, to the corresponding provisions dealing with infringement of petty patents, the penalty for which is still imprisonment.

One TMPDF member company contracts for the manufacture of items in Taiwan which are covered by petty patents owned by local companies, and the potentially severe penalties for infringement are causing anxiety among the contracting manufacturers. Accordingly, the TMPDF has written to the Taiwanese authorities urging that the sanction of imprisonment should no longer apply in cases of petty patent infringement.

● **USA**

**i. Licensing and acquisition of IP**

The United States Department of Justice issued new draft Antitrust Guidelines for the Licensing and Acquisition of Intellectual Property. These indicate that intellectual property is considered essentially comparable to any other form of property and is neither particularly free from, nor particularly subject to, scrutiny under the antitrust laws. The Department of Justice will not presume that a patent, copyright or trade secret necessarily confers market power and recognises that licensing or otherwise transferring intellectual property offers procompetitive benefits with which antitrust enforcement should not unnecessarily interfere. The general tenor appears reasonable and reflects a better approach than that being taken by the European Commission. Although the US guidelines provide for a 'safety zone' based on market share, this is used in a different way from the Commission's market share proposals. The Federation did not feel it necessary or appropriate formally to make any comments to the US Department of Justice.

**ii. Showing of Utilities in Biotech Cases**

In recent years, the USPTO has been applying to biotech patent applications standards of proof of utility (35 USC § 101) which are impossible to meet. Examiners have routinely taken the position that in the biotech field particularly *in vitro* data, *in vivo* data and even *in vivo* animal data are not predictive of utility in humans, and have rejected applications on that basis. Since no human trials can be conducted until regulatory approval is given, and since that can take many years, human data is almost never available to answer such objections.

In response to a barrage of criticism from the industry the USPTO held a public consultation exercise in late 1994. USPTO practice was criticised by the lawyers as not being consistent with case law, and by industry as being discriminatory and oppressive. These criticisms have resulted in a new set of draft examination guidelines being published for comment. They are generally thought to restore the *status ante* quite satisfactorily. A *prima facie* showing of utility is still needed, as it always has been, but examiners are now clearly told that early *in vitro* results will in most cases be acceptable. It is understood that the new guidelines are expected to come into force by mid 1995.

**iii. USPTO: standards for determining non-obviousness**

The Federation responded in June 1994 to a USPTO Survey of practice on obviousness determinations. The points taken first were the need to harmonise the conditions for patentability, especially non-obviousness, in order to reduce the costs of patenting, and a suggestion to avoid the making of unreasonable mosaics by inexperienced examiners which increased the task for both attorneys and the USPTO.

Secondly, criticism was levelled at US peculiarities on obviousness as follows:

- obviousness based on what the skilled person **could** do rather than what he would do (as in European practice)
- reluctance to accept non-obviousness where there was a large range of choice and to accept that inventive activity was problem-related
- refusal to take account of lack of knowledge by the art of the effect of the invention with the result that useful discoveries were rendered obvious when in truth they were not
- the doctrine of the exhausted combination
- the Durden doctrine on process inventions denying patentability where there was no reason to use the starting materials in question and even when they were patentable, and cases where the end-product is also patentable
- application of Durden to use cases
- excessive and unrealistic application of 'right to work' (called public domain obviousness in the US)
- failure to consider the invention as a whole as called for by 35 USC § 103.

