

*REVIEW of trends and events*

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*1996/1997*

***TMPDF** Trade Marks Patents and Designs Federation*

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*Putting Industry's view on Intellectual Property since 1920*

## **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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## REVIEW BY THE COUNCIL OF TRENDS AND EVENTS 1 APRIL 1996 TO 31 MARCH 1997

### INTRODUCTION

The Federation has for many years played an active and prominent role in reacting to intellectual property issues on behalf of its members. This has been achieved through the efforts of many of those who serve on Council and on the individual committees. As a result the Federation can feel justifiably proud of a record of achievement which is second to none.

During the past year the Federation has not only reacted to events affecting the interests of its members but has also developed an agenda of issues, present and future, on which it would like to promote widespread discussion and action. A particularly noteworthy example of this has been the early publication of a position paper on patenting costs. This paper was received enthusiastically by the European Commission, UNICE, the European Patent Office and other influential bodies. The issue of patenting costs is now a major topic of international discussion.

A proactive policy of this sort requires more effort to achieve but carries with it a much greater opportunity to influence the course of debate and put over the arguments which support the interests of our members. The success of this policy has been due in large part to the continuing strong input from our members and the valuable support we now have from Alec Sugden, who was appointed a consultant to the Federation in April 1996.

For the future, we will have a new Secretary and Assistant Secretary in Bill White and Elsa Scarff. Both have experience in intellectual property matters and we look forward to a strong team able to carry forward vigorously the proactive policy which has made such good progress over the past year.

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### DOMESTIC ISSUES

#### Compulsory Licences

- **Amendment of the Patents Act still awaited**

The Federation's position on this issue has been that the UK government should take a lead in amending the present law, by way of Statutory Instrument, to clarify that importation of a patented product from another WTO country should be sufficient to satisfy the working requirements, and so should be an effective ground for resisting an application for a compulsory licence. This would act as a positive indicator to

developing countries in their implementation of the TRIPS agreement.

Unfortunately, the government has not yet issued the necessary Statutory Instrument, so the UK is still relying on Section 53(5) of the Patents Act to demonstrate conformity with TRIPS on this matter.

#### Copyright

- **Developments in the UK**

The Copyright and Related Rights Regulations came into force on 1 December 1996. The regulations implement the Rental Directive and the Satellite and Cable Directive. They also completed the implementation of the Copyright Duration Directive by introducing a new 25-year right for the publisher of a previously unpublished work whose copyright has expired.

Various companies in the pharmaceutical industry are reported to have concluded agreements with the Copyright Licensing Agency based on a model agreement negotiated with the Association of the British Pharmaceutical Industry and setting out the payment and other terms under which they would be permitted to make multiple copies of publications. There are also reports that a separate body, the Newspaper Licensing Agency, has been approaching companies to take a licence to cover reproduction of press articles for circulation within their companies.

The DTI announced that, despite representations, they would not be introducing a special form of protection for the formats of broadcast programmes.

#### Intellectual Property Awareness

- **ESRC IP Programme**

A Federation representative is a member of the Steering Committee of the ESRC programme of funded research by British academic institutions. This is a programme of major significance, and not only with respect to the breadth of projects covered by the £1 million plus of funding. It also provides many business schools and departments other than law schools with their first involvement in intellectual property. The outcome of this work should lead to a higher profile in both SMEs and the academic community of intellectual property and its relative importance in different business fields. TMPDF is also committed to assisting in the dissemination of research results arising from the programme.

### • IP Forum

TMPDF supported the initiative by Sir Robin Jacob (one of the Patents Court judges) for multi-disciplinary meetings of people concerned with the practical application of intellectual property to the needs of the business community. A delegation from the Federation has met Sir Robin and taken an active part in the two Forum meetings held during the year.

### • Intellectual Property Institute (IPI)

In continuing support for the academic research commissioned by the Intellectual Property Institute, TMPDF publishes in its monthly report INPACT details of IPI's Seminars and publications.

## Patent Office

### • Patent Practice Discussions

Mr Marchant, Assistant Comptroller Patents and Designs, proposed patent practice meetings, about three or four times a year, between senior members of his staff and practitioners. CIPA, TMPDF and FICPI were invited to attend, and a TMPDF representative took part in the first meeting which was held in March this year.

The object of the meetings is to have an informal forum for the Office and the profession to discuss patent issues of joint concern, and take forward any initiatives that arise. The meetings are not intended to replace in any way the formal consultation mechanism provided by SACIP, but to provide an informal complement to it.

First impressions are that it will be a useful forum and that participation by the Federation will be mutually beneficial.

### • Priorities

The Office sought the views of the Federation and other bodies as to the priorities which the Patents Directorate should give to its services, bearing in mind the limitations on numbers of trained examiners. The Federation's view was that the highest priorities should be given to a rapid search and, where requested by applicants, rapid combined search and examination.

The Office reported at the end of 1996 that around 90% of all searches were being completed between 12 weeks (the target) and 16 weeks, which is a very pleasing record.

Mr Marchant has assured the Federation that the Office is doing all it can to improve performance, but it will be some time before they have a reasonable match of trained examiners against demand.

### • Search and Examination

This new service, which was introduced by the Office in 1995, has proved popular with customers, and the Office's performance continues to improve. Over 1700 such examinations were carried out in the first year of operation, representing 11% of all search requests. The record so far for the shortest time from filing to grant is 10 months.

### • Searching Community Trade Mark applications

The failure of OHIM to provide full information to the UK and other Trade Marks registries about Community Trade Mark (CTM) applications continues to be a source of concern at the time of writing (end of March). In particular, the information provided seldom gives an indication of the class(es) covered by the CTM application, let alone the actual goods and/or services involved. The practical effect of this is that it makes it impossible for the UK Registry to search UK applications against CTMs. This means that although a UK trade marks registration continues to be valid *prima facie*, nevertheless it could later be subject to attack on the grounds of invalidity due to conflict with an earlier CTM. This unsatisfactory situation looks set to continue until such time as OHIM regularly provides the Registry with full information, thus making it possible to search UK applications against CTMs filed in Alicante.

In fact, the problem may never disappear while the Registry's examination process is faster than that of OHIM. In the meantime, it has been proposed that the Registry should issue a notice to trade mark owners and practitioners, warning them of the potential threat.

## Reform of Civil Justice

### • How will IP litigation be affected?

The Final Report of the Inquiry Team under Lord Woolf entitled 'Access to Justice' was published in July 1996. It closely followed the lines of the June 1995 Interim Report but also included recommendations concerning specialist jurisdictions such as IP. The section of the Report dealing with IP incorporated most of the recommendations made by the Sub-Committee chaired by Mr Justice Jacob and was broadly welcomed by the Federation. However at the date of the present Review, amended Rules to encompass the proposed reforms have not yet been issued by the Lord Chancellor's Department so that the Federation cannot yet take a final view of the impact of the reforms on IP litigation.

### • Allocation of cases

The Sub-Committee under Mr Justice Jacob recommended that the allocation of cases between the High Court and the Patents County Court should be under the control of a procedural judge. This was in line with the single point of entry principle set out in Lord Woolf's Interim Report.

The Federation was therefore disappointed when the Final Report did not adopt this recommendation but accepted that the choice of forum in IP litigation should remain with the Plaintiff as at present. Nevertheless the Federation was encouraged by Lord Woolf's recommendation that the situation should be reconsidered in the near future by the Head of Civil Justice (Scott LJ).

### • Expert Evidence

The original Woolf proposals for a single court-appointed expert resulted in objections from the Federation and a num-

ber of other bodies concerned with IP litigation. These objections were accepted by the Inquiry Team and the Final Report merely requires the procedural judge to review the number of expert witnesses proposed by the parties and to indicate why more than one expert witness is appropriate in any particular case.

### • Leave to Appeal

It is likely that the Rules of Court will be amended so as to remove the automatic right of appeal from decisions of the Patents Court and Patents County Court unless the decision involves the revocation of the Patent in Suit, so that all Appeals from the First Instance Courts would be subject to Leave. Whilst the judges do not consider that there is any grave objection to this proposal, concern has been expressed by Federation members and others over both the principle of such a Rule amendment and the criteria against which the grant of leave to Appeal would be considered.

## Trade Marks

### • The Internet and Domain Names

Explosive growth in the use of the Internet as a means of disseminating information has brought with it a very rapid increase in the exploitation of it for business opportunities. However some of these opportunities have turned out to be on the wrong side of the line between legality and illegality and, so far as the IP community is concerned, we have been faced in recent months with an increasing number of problems relating to domain names and especially the jurisdiction in which to take any action. (A domain name is the unique "address" at which one subscriber to the Internet, wherever he may be in the world, can be reached by other subscribers.) For example, a computer will of course experience no difficulty in distinguishing between two names which to the human eye are clearly confusingly similar e.g. *tmpdf.co* and *tmptf.co*. Conversely, whilst a human being can accept with equanimity the fact that two companies both called Apple can co-exist in harmony provided they are both in quite different trades or geographical regions, a computer will think they are one and the same if both happen to use *apple.co* as a domain name.

There are therefore three main problems:- the appropriation of existing trade marks and trade names by 'pirates' who bear no goodwill towards their true owners or whose motive is financial blackmail, – the need to distinguish between two entities who share a name but who trade quite legitimately in different countries or in different trade sectors, – where to sue.

The founding fathers and original users of the Internet took pride in its freedom from control or restraint. So conflicts between names tended to be shrugged off as a boring side issue, while those who adopted someone else's title as their domain name were admired for their audacity. But the Internet has now become a multi-multi-million dollar business and an international one at that, so domain name dis-

putes are more common. The free spirits who used to be in the majority on the Internet have therefore had to accept some shackling of their previous freedom. In 1996 some of the US lawyers involved in domain name litigation, together with the International Trademark Association, eventually attracted the attention of the Internet community and between them all a body was set up, called the International Ad Hoc Committee, to look into the possibility of bringing some order into the "chaos". It reported in February 1997 and among its proposals were:

\*A voluntary 60 day publication period during which objections may be made to new domain names. If there are any disputes that cannot be settled voluntarily, they will be submitted to the Mediation and Arbitration panel of WIPO.

\*The creation of new institutions: registries to be responsible for registering new domain names in particular geographical areas and various Committees to supervise their activities, provide advice on future evolution of the domain name system, oversee policy, and provide stewardship.

## Unfair Competition

### • To change or not to change?

During the course of the year, the Federation considered the subject of unfair competition; in particular the extent to which there are sufficient opportunities for owners of intellectual property, especially the producers of commercially distinctive products, to take action in the United Kingdom against allegedly unfair competition. The concerns of brand owners about the development of so-called "look-alikes", a growing awareness of the dedicated legislation on the subject which exists in other European states and elsewhere and the attention given to the subject in the Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS) all stimulated interest. Two thirds of those who responded to a questionnaire organised by the Federation's Trade Marks Committee considered that the opportunities to take action under UK law were not entirely satisfactory, although the response to the questionnaire was not particularly strong. In consequence, the Council and the Trade Marks Committee are reviewing the present scope of UK law. There is a considerable measure of agreement that a new statute generally dedicated to the subject of unfair competition is probably not needed, at least at present, since a number of procedures are available under existing statutes and common law for dealing with different aspects of unfair competition. Whether some limited adjustment to existing law, to deal with situations where a competitor deliberately dresses his product to take undue advantage of another's reputation, would be desirable, remains under discussion.

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### EUROPEAN DEVELOPMENTS

#### European Patenting costs

- **TMPDF campaign for all-round reductions**

There are many components of these costs – professional fees, government fees including those of the EPO and of the national patent offices on national validation of the granted European patent and the cost of translations and, finally, renewal fees. The Federation made a well-received submission to the EPO, the European Commission and governments of the EPO member states concerning reduction of government fees, including getting rid of fees for filing and publishing translations of the European patent and harmonising the requirements for filing them, including removal of the need to use professional services in the member states concerned. The first fruits are a reduction of the fees on filing – see below. The other matters are in continuous discussion in the Administrative Council of the EPO and in government and European Commission circles. On reducing the cost of national entry, the following suggestions were made:

- \* Review national rules on address for service – one in any member state should be sufficient.
- \* Review the national rules regarding the domicile of representatives – that in any state should be sufficient.
- \* Ensure that aptitude tests for representatives are harmonised and limited to what is absolutely necessary.
- \* Harmonise the formal and procedural rules governing patent applications and grants, including standardisation of forms.

#### EPO

- **Distribution key : fees should benefit the patent system**

The UK delegation to the Administrative Council has argued that member states should take an even larger share, greater than the present 50% of the renewal fees on granted European patents. This would reduce renewal fee income available to the EPO which is needed to meet costs of examining and granting European patents, while member states which have done very little work on those patents would benefit. Such a change would put upward pressure on the procedural fees, which are still excessive despite the welcome reductions referred to below. The UK has some support for this view in other member states. However other member states and industry believe the EPO puts up a fine performance, given its duties and the high quality service expected, and that the prime objective now should be to lower costs so that more applicants, especially SMEs, can benefit from the European patent system. Industry wishes to see this raised to 60% in favour of the EPO, noting that the governments of the member states are unable to spend what

they collect (the UK) or put it into their general finances as a tax on innovation.

It is a fact that if the distribution key were to be altered as industry wants the EPO filing fees could be reduced further by a substantial amount. It is also a fact that the amounts of money collected by the national governments, which run into tens of millions of pounds (or sterling equivalent) are not even spent by the national governments in the patent system. Furthermore, the EPO should, like any other patent office, be financed mainly from renewal fees. At present the contribution from renewal fees is less than 25%.

- **Article 63, EPC : Full ratification essential**

The EPC was amended in 1992 to accommodate Supplementary Protection Certificates. The amended EPC comes into force on 4 July 1997 and all member states should have ratified by that date. If ratification by any particular member state has not taken place by then a serious situation will arise, since according to Article 172(4) EPC, that member state has to leave the EPC. This will create serious problems for applicants (what happens to applications and patents which already designate Ireland, and to what extent will patent acquisition involving such countries be dislocated) and a serious situation in the EU, firstly because of the effect on the single European Market and secondly since the EU has EEA and East Europe agreements which ultimately require membership of the EPC. It is understood that Ireland, Luxembourg and Spain have not ratified, but that parliamentary procedures have been completed in the last two countries.

- **Supplementary Protection Certificates extended to Agrochemicals**

SPCs are granted to restore patent protection lost as the result of delays in granting market authorisations, especially for pharmaceuticals and agrochemical products. The EEC Regulation 1768/92 on SPCs for pharmaceuticals came into force on 2 January 1993 for the EEC Countries other than Greece, Spain and Portugal. It was extended in 1994 to Austria, Finland, Norway and Sweden and a similar system has been set up for Liechtenstein and Switzerland. A corresponding Regulation 1610/96 for Plant Protection Products came into force on 8 February 1997 and action on existing products that can take advantage of the regulation needs to be taken by 8 August 1997, or six months after the date of first marketing approval.

- **Article 84 – broad claims : the case continues**

There has been strong objection for some time to the excessive width of protection given by the EPO to some inventions, especially those in the biotechnology field. The UK requested that Article 84 become a ground of opposition and the matter was referred to the Administrative Council's Patent Law Committee; but apart from support by Ireland, the other member states were against. In the meantime the Board of Appeal jurisprudence on support for claims has changed. The emphasis is now that for support and sufficient

description (Articles 84 and 83 respectively) there has to be an enabling description giving support across the width of a broad claim. It seems that the Genentech I decision has been widely misunderstood. This was not a broad claims charter to the effect that one example is enough for sufficiency, but the granting of a proper scope of protection to a pioneer general methodology invention, where a single example was sufficient in factual circumstances where there were no reasons to suppose that the materials used in the general method were not capable of wide variation. This has now been confirmed by the House of Lords in *Biogen v Medeva*, which pointed out that even in the Board of Appeal decision below, the Board conceded that for priority there has to be support across the claim – but then went on to find sufficient description on the basis that there were no missing essential features. The House of Lords pointed out there were and the Board had not been looking in the right direction.

### • EPO Fees : welcome reductions

Industry has been following a four track approach, seeking reduction of filing fees, altering the distribution key for renewal fee receipts in favour of the EPO, seeking to reduce the costs of national entry, such as local representation, filing fees for translations and elimination of publication fees e.g. in Austria, and generally seeking to reduce the burden of translation costs.

While on some of these items the EPO Administrative Council has postponed making a decision, i.e. on the distribution key and translations, nevertheless some useful reductions in the filing fees have been achieved. The designation fees will be more than halved from 1 July 1997 and there will be reductions in the filing and search fees with the overall result that the fees on filing an application designating 8 countries will be reduced from DM 5300 to DM 1950. Designation fees then have to be paid when requesting examination, but are reduced from DM 350 per designation to DM 150. The search fees have been reduced by DM 200 (about 10%).

### • Patent information policy

The EPO Administrative Council held a hearing in March 1997 concerning proposals to deny access to certain patent information, in particular INPADOC, the patent register and the EPO's published CD ROMs. Speakers were unanimously against and pointed out that for patent offices to enter the commercial sector to make money while restricting access would breach Article 85. There is also the Maastricht Article 59 requirement of free movement of services and access to public databases. A Commission speaker commented that it was crazy to be in the position of having a European patent information policy and dissemination system only to break access for the users.

### • Translations package solution meets opposition

This matter has been remitted back to the Administrative Council's Patent Law Committee. At the March 1997 Administrative Council there were objections from France,

Spain and Sweden at least; it is understood Finland, Greece and Portugal are also against. It is therefore clear that until this problem has been solved the CPC at least will remain blocked.

## Commission Initiatives

### • Biotechnology Patents Directive

The second version of the EU Directive on the Legal Protection of Biotechnological Inventions is completing the EU Parliament's Committee stage. The Legal Affairs Committee has primary responsibility for the draft. Its Rapporteur has proposed amendments to the Commission's draft which, if passed, would remove the thorny issue of a "morality test", and leave national law to deal with invalidity grounds of that nature – what price "harmonisation"? Nevertheless the Rapporteur's draft was seen as generally acceptable to the pharmaceutical industry, and would have confirmed the patentability of isolated human genes and proteins, and of transgenic plants and animals. However, more than 200 amendments have since been tabled by MEPs, many of which would deny patentability to the foregoing and thus render the Directive unacceptable to industry.

The Directive is due to have its first reading in the European Parliament in the next month or two, but it appears that the polarisation of opinion among MEPs which led to the rejection of the Directive on its first introduction is every bit as extreme this time around. Passage of an acceptable Directive by Parliament is by no means guaranteed.

### • CPC : back to the drawing board

In the First Action Plan for Innovation in Europe (see below), the European Commission commented on the lack of homogeneity in the patent protection available in the European Union and on the fact that the Community Patent Convention (CPC), which is not one of the treaties establishing the European Union but was agreed in 1989 by the then member states of the European Community, has not come into force. The Commission has said that it will put forward a Green Paper on the issue of the Community patent by summer 1997.

The Federation supports the establishment of a Community patent system in principle, provided that national patents remain available and effective in their territories, but has regularly pointed out that the CPC as presently drafted contains a number of basic defects. It fully agrees that a review is needed and wishes to participate in it.

During the past year, the Council has re-examined the subject of the Community patent and reiterates the following serious objections to the present (1989) text of CPC.

\* The translation regime will be both disastrously expensive and dangerous for applicants, since a translation of the whole text of the granted Community patent in an official language of each Community member state will have to be provided within three months of the grant of the patent. A

considerable number of expensive translations are thus required and failure to file each and every one of them within the time limit will result in the loss of the patent.

\*The litigation arrangements will be complicated, costly and lengthy. Community patents will be in jeopardy in first instance actions before national courts, because these courts are empowered to revoke them. Second instance appeals will involve to-ing and fro-ing between a Common Appeal Court (COPAC) and national courts. During the course of these extended proceedings, the status of the patent will be in doubt.

\*There is a significant risk that the existence of the Community patent system will undermine national patents, because neither the CPC nor European Community legislation confirm that a national patent right is enforceable against an imported infringing product first sold without the explicit consent of the right owner in another Community state where no equivalent patent right has been secured.

\*Fees to secure and maintain Community patents are likely to be exorbitant. This is in part because Community member states expect to, and CPC provides that they should, receive a large share of the renewal fees to be paid in respect of Community patents. The member states will have done no work on these patents and there is no justification for them to receive a share of the renewal fees.

The Federation will be happy to participate in the review proposed by the Commission and to put forward proposals to deal with the problems outlined above and others. It considers that there should be the widest possible consultation with European industry, with the aim of producing a Community patent system which is attractive and useful to all potential users.

### • The Community Trade Mark : Alicante besieged

The Office for Harmonisation in the Internal Market (Trade Marks and Designs), sometimes referred to as OHIM, opened in a blaze of publicity and on a wave of optimism in Alicante, Spain on April 1 1996. It had been forecast that about 5,000 Community trade mark applications would by then have been received with about another 10,000 coming in during the rest of the year. But in the event nearly 21,000 had been received by 1 April (many of them in the last two weeks of March) and the year closed with the Office in Alicante contemplating a mountain of about 43,000 applications which was a far cry from the 15,000 expected and budgeted for. About 30% of these come from US applicants with the next largest filing countries being Germany (17%) and the United Kingdom (13%). English is far and away the most popular language, with 43% of applicants choosing it as their first language, and 51% as their second.

To say that the Office has been overwhelmed by its success is an understatement. The small staff and their initially

limited resources have been put under an immense strain and the result has been long delays in the issuance of filing receipts and an unacceptably high level of mistakes. Matters have not been helped by two things: the hasty introduction – with resulting teething problems – of the EUROMARQ electronic system, which guides all transactions within the OHIM making it a truly paperless office, and an EU office in Luxembourg which translates all goods and services into 11 languages and which has turned out to be quite unprepared for the avalanche of work with which it is now faced.

But the overworked staff in the Office have retained a degree of optimism and seem determined to overcome their problems and eradicate the backlog by the end of 1998. The number of people employed has increased rapidly during the year, which has had the side effect of a severe shortage of space, so it is welcome news that the Spanish Government has set up a Committee to award a contract for construction of the new building for the OHIM in Alicante which it is financing. The Bulletin containing the first published CTMs appeared on March 10 1997, so the Office could be dealing with the first oppositions, or issuing the first registration certificates, by June.

### • Copyright in the Information Society

On 20 November 1996 the Commission issued a Communication “Follow-up to the Green Paper on Copyright and Related Rights in the Information Society”. In it, the Commission announced its intention to pursue harmonisation of the reproduction right (the author’s exclusive right to control the making of reproductions) and its exceptions, particularly in view of the greater ease of copying brought about by new digital technologies. It also proposed introducing a harmonised exclusive right of communication to the public, which would include making a work available for on-line access. Other proposals are measures against tampering with copyright management information included in a work and against devices intended to circumvent copy-protection systems, and also a harmonisation of the distribution right. All of these measures except the first, on the reproduction right, relate to topics which were dealt with shortly afterwards in the new WIPO Copyright Treaty (discussed below), and action will therefore be needed in any event to comply with the new international obligations. However, discussions on the scope of the reproduction right and its exceptions are likely to be more difficult, given the differences in views that lead to the failure to deal fully with this matter in the Copyright Treaty.

### • Database Directive

The Database Directive had been adopted on the 27 February 1996. It provides a harmonised regime in which copyright will protect a database only to the extent that it is original in selection or arrangement, while a separate 15-year *sui generis* right will protect the contents of database which results from a substantial investment against extraction or reutilisation. There were no further developments during the year. Implementation is due by 1 January 1998,



and it is understood that the DTI will be providing a consultation draft of the UK implementing regulations in the early summer of 1997.

### • Industrial Designs: Directive and Regulation

The Commission's proposal for a Directive to harmonise the legal protection of industrial designs, with revisions to take account of recommendations from the European Parliament, were discussed at length in Brussels at a succession of meetings of national government experts. As expected, these discussions were dominated by disagreement over the repair clause. In the revised proposal, the repair clause was to take effect upon first marketing of the protected design, arrangements for remuneration of the owner of the design were included and Article 15 included an exhaustion of rights provision which would have allowed copies made for repair purposes to move freely throughout the EU. Article 15 was of concern to many members of TMPDF but once again unanimity remained elusive and the Federation remained silent.

The Commission continued to argue manfully that the repair clause was not a compulsory licence.

The Irish Presidency took on the task of finding a solution to the impasse presented by the determined resistance of several countries to the repair clause. The "free-for-all" solution involved allowing member states to enact national provisions that would permit copying of protected designs for purposes of repair of a complex article. As a side effect of this change, the exhaustion provision was modified and no longer allowed free circulation of copies made without the consent of the owner of the design. This solution would have achieved unanimity in the Internal Market Council in October if the Dutch had not had unexpected doubts about Article 15, which by then was limited to defining EU exhaustion of rights. The Dutch were in favour of worldwide exhaustion.

After some discussions behind the scenes, the Dutch agreed to withdraw their reservation, and agreement on a Common Position was achieved in the March meeting of the Internal Market Council. The Directive now goes to the European Parliament for a Second Reading, probably to the Conciliation Procedure since the Directive, now lacking a repair clause, does not comply with the wishes of the European Parliament.

During the year little has been heard of the Regulation for a Community Design Registration, although it is understood that the Commission now wishes to proceed with it along a parallel track.

### • Innovation in Europe : TMPDF responds to EC Action Plan

The Commission has published an Action Plan which includes proposals to encourage innovation in Europe. These focus on intellectual property, administrative simplification, financing and taxation.

The proposals for intellectual property include:

- \* a review of the overall structure of the European system

for the protection of intellectual property which is regarded as far too complex

- \* the launch of a Green Paper on the Community Patent for September 1997

- \* a study of the special needs of biotechnology and of the information society

- \* a study on the need to harmonise national laws on employee inventions.

In its correspondence with the European Commission regarding these proposals, the Federation welcomes the proposals for the reduction of European Patent Office fees and supports those proposals which would reduce the cost to patent applicants of supplying translations.

The present combination of national and European patent systems provides a good degree of choice to patent applicants. The Community patent would be welcome only if it were better adapted to the needs of applicants than the present systems and did not increase the burden of translations. The Federation wants to see the opportunity maintained for selective patenting through either the national or the European routes and is interested to learn how the Commission proposes to reactivate interest in the Community patent.

The Federation supports the Commission in saying that European industry should not have to cope with conditions which are less favourable than its competitors' because of restrictive approaches to intellectual property rights, and therefore welcomes the study of the needs of biotechnology and the information society.

As regards employee inventions, the Federation is strongly opposed to harmonisation requiring the imposition of formally prescribed systems of inventor compensation.

### • Inventor's Compensation

During the course of the year the Federation's attitude on the position of employed inventors in relation to the inventions which they create on their employer's behalf, and their possible "compensation" from the sales of the innovative products which may result from those inventions, was considered by the Council. The Council concluded that it is good company practice to operate fair and visible schemes which encourage high performance by all employees, including inventors, but that this is not a field in which legislation, particularly at Community level, is either necessary or appropriate. In particular, there should be no legislation which interferes with the employer's right to decide whether intellectual property rights are to be secured and how they are to be managed.

### • Utility Models

Towards the end of 1996 the Commission issued a document concerning 'Establishing a Framework Conducive to Innovation' and in the section on harmonisation methods included comments on the future of Utility Models in the Community. In view of the many negative comments which the Commission received following the publication of the

Green Paper on Utility Models in 1995, it is perhaps not surprising that the language of the document is cautious, and simply refers to the Commission 'making a decision on the advisability of draft Community legislation in this field'. The Federation remains firmly opposed to a Community system of Utility Models, and it remains to be seen what the Commission's next steps will be.

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## INTERNATIONAL MATTERS

### Copyright Treaty

#### • The Berne Convention goes digital

The WIPO Copyright Treaty was signed in Geneva on 20 December 1996. It was the culmination of many years' discussions on what had previously often been referred to as a Protocol to the Berne Convention. It amplifies the Berne Convention and also contains a number of provisions aimed at adapting copyright to the digital world. It contains provisions requiring computer programs to be protected as literary works in the same manner as the TRIPS agreement. It requires that the author's exclusive right of communication to the public should include the right to control the making of his work available for access by the public, for instance on a world-wide web server or for on-demand delivery. There are also provisions requiring the introduction of legal measures against interfering with electronic rights management information and against devices intended to circumvent copy-protection systems. But a draft article on the reproduction right which would have stated that temporary copies were covered by the right did not achieve a consensus and was not included.

A separate treaty to deal in a similar way with the rights of performers and the producers of phonograms (audio recordings) was also adopted. But a draft treaty on the protection of databases, which was closely modelled on the European Database Directive, was not discussed and the topic was left for further consideration.

### Hague Agreement on Designs

#### • Continuing Obstacles to Broader Membership

WIPO is continuing its effort to make revisions to the Hague Agreement that would enable countries with examination systems for registration of designs to join. A sixth session of government experts followed by a consultative meeting of users took place in Geneva in November. Although some progress has been made, it is clearly proving difficult to reconcile the differing requirements of countries with widely different national systems. There will be a new draft agreement and a seventh session in 1997.

### Madrid Protocol

#### • A quiet start

Membership of the Madrid Protocol continued to expand, from 9 countries when it first entered into force, to 16 ratifications by the end of its first year of existence. However, although the UK remains a popular country for applicants to designate, UK companies seem somewhat reluctant to use the system as a matter of routine when filing their trade marks. The reasons usually advanced for this are that the current list of member countries is disparate and rather unattractive, and that the Community trade mark, commencing as it did on the same day, has used up many of the resources of hard pressed trade mark firms and industrial departments. Both of these excuses no longer exist to the same extent, so it will be interesting to see whether applications from the UK will increase.

An important development was the publication in July 1996 of draft proposals for providing a link between the Madrid and the CTM systems. These are currently under discussion in Brussels and by the European Parliament. No significant objections have yet emerged and it is hoped that the EC can become a member of the Protocol by the end of 1998.

### National developments

#### • Hong Kong: preparations for reversion to China

In preparation for Britain's handover of Hong Kong to the People's Republic of China on 1 July 1997, the Hong Kong government is revising the colony's intellectual property laws to reduce the connection with the UK intellectual property system and to modernise them by, for example, bringing them into line with the provisions of the TRIPS Agreement. Mr Stephen Selby is the Director of the Hong Kong government's Intellectual Property Department and he suggested to the Federation that he should meet Federation members to explain this work. The meeting was held on 16 August 1996 in London. The Federation continues to monitor this revision of Hong Kong's intellectual property laws.

#### • Taiwan – priority rights

Taiwan (which is not a Paris Convention country) has now established bilateral agreements with six countries (Australia, France, Germany, Japan, Switzerland and the US) whereby nationals of those countries can claim priority from domestic patent filings when filing in Taiwan.

In spite of repeated appeals from the Federation's Patents Committee to the UK Patent Office and the DTI to push forward with a similar agreement for the UK no progress has been made. The reason is the continued lack of diplomatic recognition of Taiwan, and the politically sensitive issues concerning the handover of Hong Kong to the Chinese. However, there have recently been some signs of optimism from the DTI that progress can be made, and further developments are awaited.

### • Thailand – priority rights

The Federation learnt last year that Thailand had negotiated bilateral agreements with several countries on reciprocal priority rights for patent applications, similar to those established with Taiwan. There seemed to be some delay in establishing such an agreement with the UK, although no political obstacles could be seen in completing this, and the Federation's Patent Committee wrote to the UK Patent Office urging them to do whatever they could to expedite completion of an agreement.

As a result of this approach, the UK Office took action and a satisfactory reciprocal agreement was concluded with Thailand in June last year.

### • USA – Patent Law Reform

The Federation has continued to take an interest in the progress of various Bills before the US Congress to reform the patent and other intellectual property laws. When the 104th Congress adjourned last autumn, the two Omnibus Patent Bills did not survive. These two identical Bills provided for publication of patent applications after 18 months, a continuing prior user right, improvements to the USPTO's patent re-examination procedures and so on. The Federation welcomed the introduction into the new Congress of a new Bill similar to the old ones. The old Congress did however pass a Bill allowing the appropriation for other governmental purposes of patent fees paid by users to the USPTO.

## Patent costs

### • March 1997 London Symposium

When the American Intellectual Property Association and the Chartered Institute of Patent Agents invited the Federation to attend an International Symposium on reducing patent costs, the Federation accepted the invitation with enthusiasm as it and its members have always regarded this as a priority issue. At the Symposium, which was held in London on 11 and 12 March 1997, the Federation was represented by the President who contributed fully to the debates. Also present were Representative Coble of the US Congress, the heads of the European, French, German, Japanese, UK and US patent offices, senior officials from the German Ministry of Justice, the European Commission (DG XV) and WIPO, and delegates from international industry bodies (ICC and UNICE). Delegates from other national industry bodies (Confederation of French Employers, Germany's BDI, Japan's JIPA and the USA's IPO), international attorney bodies (AIPPI, CNIPA, CONOPA, EPI, FICPI, PIPA and UNION) and national attorney bodies (from Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Spain, the UK and the USA) also attended. The agenda contained three items, i.e. reducing (1) European patenting costs, (2) US patent litigation costs and (3) patent office fees to the level required to maintain the patent office. Lively debates, particularly on item (1) ensued, and this resulted in all present appreciating the

views of others especially on the vexed question of the translation regime on validation of European Patents into the national systems. A second Symposium is being planned

## Patent Law Treaty

### • A prize worth having

The Federation is very much in favour of the early conclusion of this desirable treaty which should simplify patent procedures in those states which adhere to the treaty and will also provide applicants with significant opportunities to overcome procedural mistakes. The Federation was pleased that good progress was made in the second and third sessions of the relevant Committee of Experts of the World Intellectual Property Organization (WIPO) during the course of the year under review. An important proposal, that the draft treaty should, in respect of questions relating to form and content of applications, refer to the maximum extent to the provisions of the Patent Cooperation Treaty (PCT) and its Regulations, was made at the third session, and this will be discussed further at the next session in June 1997. The next session of the Committee of Experts will also consider questions concerning the electronic transmission of documents, as well as reviewing other topics considered in previous meetings. These include the permissible requirements for establishing the filing date of an application, the permissible requirements for the formal application, permissible requirements in respect of representatives, address for service, signature, requests for recordal of change of name, address, ownership or inventor, requests for recordal of licensing agreement or security interest, requests for correction of mistake, extension of time limit established by a national or regional office, and the belated claiming of priority. Although not comprehensive, even in respect of procedures, this is a useful set of topics to be harmonised and simplified.

The Federation takes the view that all patent procedures should be harmonised as far as possible and should be simple, flexible and user friendly. It will study the latest draft proposals and comment on them where necessary with these points in mind.

It should be recalled that this treaty is not concerned with substantive law. The Federation considers that there is an urgent need to achieve international harmonisation on matters concerning the validity of patent rights, including the prior acts, of both applicants and third parties, and publications which can destroy validity and the scope of those rights, and urges WIPO and national administrations to take up work on a substantive treaty in the very near future.

## TABD

### • The road to Chicago

The Transatlantic Business Dialogue has settled down into a consolidation phase. The purpose of the dialogue is not to negotiate but to find the areas of common ground. In the

spring and summer of 1996 extensive common business views were outlined in a Progress Report dated 23 May 1996. This not only outlined the topics and issues on which the American and European business leaders are in agreement, but serves as an Intellectual Property agenda for the EU Commission and the US Administration. Progress was consolidated further at a CEO Conference in Chicago on 11 November 1996.

The Progress Report reviewed a large range of business interests, not just in intellectual property, but for the latter called for TRIPS implementation, a high level of IPR protection, especially in copyright, deplored international exhaustion of rights while agreeing with national and regional exhaustion, called for action against counterfeiting and copyright piracy and for a proper environment for investment and market access in third countries.

For patents, TRIPS implementation was stressed together with raising standards, especially of compulsory licensing and closing gaps in protection, e.g. in the protection of genetic material. There was a call for the EU and US to enter patent harmonisation negotiations to achieve meaningful improvements around the world. The agenda for that involves discussions on first to file, grace period, abolition of the Hilmer doctrine, whole contents with broad novelty, 18 month publication, reduction of government fees and translations, an opposition system and a continued right of prior use. In general there must be a reduction in the cost of applying for, maintaining and enforcing patents. Exhaustion of rights was again criticised, especially in relation to Spain and Eastern Europe.

For trade marks, the Trademark Registration Treaty (TLT) and the Madrid Protocol should be ratified and the US must fully implement TRIPS on geographical indications. There should be elimination of unreasonable restrictions by regulatory authorities and international agencies which prevent the trade mark owner's freedom to use his registered trade mark. Exhaustion of rights was criticised yet again.

Trade secret protection in general should be reinforced. TRIPS must be interpreted to protect undisclosed information, especially registration data, for at least 10 years.

### • The Chicago Declaration

The Chicago Conference resulted in a Declaration, which for intellectual property generally called on the EU and US to ensure at the WTO Singapore Ministerial Meeting in December 1996, immediate TRIPS implementation by countries not entitled to a transition period and for the other countries to accelerate it. The Ministerial agreed to the former but not the latter.

The Chicago Declaration also called on the EU and US to use dispute settlement in the WTO to ensure full TRIPS implementation, to bring the copyright treaty negotiations to a successful conclusion (largely achieved) and to complete the Patent Harmonisation Treaty negotiations including first to file. There should also be a significant reduction in the total cost of obtaining and maintaining patents particularly in Europe and of the cost of litigating patent infringement

cases in the EU and the US. There should be non-discriminatory regimes conducive to full market access for intellectual property protected products.

For the pharmaceutical industry, the Declaration called for moves to strengthen patent protection, especially regarding commercial testing during the patent term (Bolar amendments – in Europe patent law prohibits such testing and the Commission are strongly against permitting it; however, regrettably it is permitted in the US). There were also calls to improve data exclusivity protection, biotechnology patent protection, and the single trade mark issue in the EU.

To encourage investment, the EU and US were urged to work towards completion of the OECD Multilateral Agreement on investment by May 1997. An important issue is whether intellectual property rights should be treated like any other asset and enjoy enhanced national treatment and MFN rules (for patents this would militate against expropriation and forfeiture).

### • WTO Ministerial meeting in Singapore

The Chicago Declaration was followed by the WTO Ministerial Meeting in Singapore on 9-13 December 1996 at which the Commission asked for TRIPS acceleration by advanced developing countries (i.e. in advance of transitional periods to which they are entitled) and full and timely implementation of TRIPS. The Ministerial Declaration called for a fair, equitable and more open rule-based trading system, rejection of protectionism and elimination of discriminatory treatment in international trade relations. It also called for full and effective implementation of the WTO Agreement and mentioned commitment to the WTO Agreement and Decisions adopted at Marrakesh (including TRIPS).

### • EU-US Summit on the "New Transatlantic Agenda"

At the EU-US Summit on 16 December 1996, it was agreed to take seriously and follow up the recommendations of the TABD Chicago Declaration and to pursue work in a joint study with a view to producing substantive results. Special attention is to be paid to biotechnology and plant health. The OECD Multilateral Agreement on Investment is to be completed as well as WTO work agreed at Singapore. There is to be an EU-US Science and Technology Agreement to facilitate participation by EU and US scientists and technologists in each other's publicly funded programmes.

Since the summit meeting there has been an unsuccessful attempt to settle a TRIPS Implementation Annex to the May 1996 Progress Report. It has not been possible so far to settle differences concerning TRIPS Implementation by the EU and US.

Also during March 1997 there was consideration of the OECD Multilateral Agreement on Investments. The question for intellectual property is whether it should be treated in the same way as any other asset for national treatment and MFN purposes. Industry has taken the position that MAI and TRIPS have different functions since MAI focuses on economic effects, better protection for investments and grants additional rights. IPRs should be treated like any other investment and should benefit fully from NT/MFN and other

benefits. The TRIPS derogations for copyright should not be repeated and there should be no forfeiture of expropriation of the other IPRs.

### **Trademark Law Treaty**

- **A good cause lacking support**

The UK ratified the Trademark Law Treaty (TLT) on 1 May 1996, becoming the fifth State (after Moldova, Ukraine, Sri Lanka and the Czech Republic) to deposit its instrument of accession, and in so doing made up the agreed number of States required to trigger the entry into force of the Treaty itself, on 1 August 1996.

The big hope of TLT is, of course, that it will streamline trade mark procedure by harmonising application requirements, in particular by doing away with unnecessary formalities. In this sense the UK already complies, and it is to be hoped that TRIPS will encourage other countries to join before too long, but it must be said that at the present time the push given to the TLT by the UK's ratification appears to have had little effect. Other signatories, in particular from the ranks of those enamoured of notarisation, legalisation and red tape, are eagerly awaited.

### **TRIPS Implementation**

- **Are the developed countries meeting their obligations?**

During 1996, the WTO conducted an exercise in which WTO Members were asked to supply answers on what had been done to implement obligations on copyright and trade marks. A similar exercise is being conducted for patents, integrated circuit mask works and trade secrets in May 1997. Later in the year enforcement will be considered. Naturally the questions being put to WTO Members, some of which are being written by the Commission and the US Administration, are addressed primarily to the developed countries since the developing and former Eastern bloc and continental Asiatic countries do not need to accede to TRIPS until the end of 1999.

The main patent law problems in TRIPS Implementation in the developed countries are to bring the compulsory licensing laws into line with Article 31, TRIPS, firstly so that imports are treated in the same way as locally produced goods, secondly so that compulsory licence cases are dealt with in a case by case manner and not under compulsory licence of right regimes, and thirdly so that dependent patent compulsory licences are on the basis of the TRIPS requirements (important technical advance of considerable economic significance in relation to the first patent). Additionally the second patent must not be performable without infringing the first patent. A second patent law problem is that under Article 70.7, TRIPS the applicant is to be allowed to add product claims to pending process invention

applications (in cases where there are new and inventive products). Some countries refuse to allow such amendments.

A third patent law problem is that in most countries commercial testing is regarded as infringement. Not so in the United States, Canada and Ireland which are thereby in breach of Article 27.1, TRIPS. Another problem is that in most developed countries there is inadequate protection for product registration data, or it is linked to the patent term, and thereby in breach of Article 39.3, TRIPS. The US can be criticised over a number of issues especially as it is highly critical of others. The first to invent system is not fully TRIPS compatible (novelty, Hilmer, excessive cost). There is also excessive cost in enforcement and discrimination between imported products and those locally produced. There is commercial testing during the patent term and failure to protect registration data adequately against unfair commercial use and a failure to enact provisions on government use that are consistent with Article 31.

### **Unfair competition**

- **WIPO Model Law**

During the course of the year the Council considered the Model Provisions on Protection Against Unfair Competition circulated by the World Intellectual Property Organization (WIPO) in February 1996. The Council noted that most of the proposed model provisions correspond quite closely with provisions of either Article 10bis of the Paris Convention for the Protection of Industrial Property or of Article 39 of the Agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS). However, one of the model provisions, concerning unfair competition by damaging another's goodwill or reputation, appears to go well beyond anything to be found in the reference treaties, and the Council concluded that further review of this issue was needed.

### **Well-known Marks**

- **Worldwide criteria proposed**

WIPO held another meeting of its Committee of Experts on Well-Known Marks in October 1996. No final conclusions were arrived at, but there does now seem to be general agreement that there should be an agreed list of criteria which the courts and patent offices around the world can use when attempting to establish whether a mark is well-known. The idea of creating a "register" of well-known marks has been dropped as being unpractical and difficult to keep accurately up to date.

The Committee, at its next meeting later in 1997, may have to consider how the criteria are to be adopted, whether as a Protocol to the Trademark Law Treaty, or with the general agreement of members either of the Paris Union or of WIPO itself.

