

TMPDF

Trade Marks Patents and Designs Federation

**Trends
& Events
1999/2000**

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Eighty Years of Putting Industry's View on Intellectual Property

About *TMPDF*

The Trade Marks Patents and Designs Federation was founded in 1920 in order to co-ordinate the views of industry and commerce in the United Kingdom, and to make representations to the appropriate authorities on policy and practice in intellectual property matters.

Objects

The Federation's object is to bring about improvements in the protection afforded by intellectual property rights throughout the world, to the advantage of inventors, manufacturers and consumers alike. Today the Federation has about 75 members, among which are many of the largest companies in the UK, as well as smaller companies. *(For a list of current members see inside back cover.)*

Most if not all industrial and commercial firms use or are affected by intellectual property rights, even if they are not particularly concerned with innovation protected by patents and designs. Nearly all firms own trade marks and copyright material. All are affected by competition law and the rights of others. The work of the Federation is therefore of value to everyone. While many firms leave day to day matters concerning the acquisition of rights to professional attorneys, it is still important to take a direct interest in the policy background, to ensure that proper rights are available, can be secured in a straightforward and efficient way and can be litigated without unnecessary complexity and expense. The Federation is very active in pursuing these needs.

Contacts

The Federation initiates proposals and follows all developments at national, European and international levels across all fields of intellectual property. The Federation has a close relationship with the Confederation of British Industry (CBI) and provides much of the professional input on intellectual property matters to the Confederation, as well as representing it in meetings of the European Employers Union (UNICE) concerning intellectual property.

TMPDF is represented on the Standing Advisory Committee on Industrial Property (SACIP) which advises the UK Government on patents, trade marks and designs matters; the Federation is also represented on other bodies which advise the European Patent Office.

The Federation has good contacts with parliamentarians both in Westminster and in the European Parliament, something which is becoming more important with the increasing involvement of the European Parliament in EU legislation on intellectual property.

Membership

The Federation has a Council, which approves the actions taken, and five technical committees, to which detailed consideration of issues is delegated. These deal with Trade Marks, Patents, Copyright and Designs, Licensing and Competition Laws, and Biotechnology. Voting members are entitled to a seat on Council, as well as any or all of the five committees. Committee members can join any or all of the five committees. In 2000 for the first time, a corresponding membership was made available to those wishing to be informed about developments in intellectual property without joining any of the Federation's committees or Council.

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TMPDF **Review of**
Trends
& Events
in Intellectual Property

April 1999
May 2000

Review of Trends & Events in Intellectual Property April 1999 – May 2000

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Introduction & Overview

In last year's Introduction & Overview we said, "This must have been one of the most active years in the Federation's history." As it turns out, last year was a bit of a dawdle compared to what has happened over the past twelve months — a period so busy we barely took time to note that it also marked the Federation's eightieth year.

The Federation worked on several issues that are key to all owners of intellectual property. For example, the Hague Judgements Convention, at least the consequences of the IP provisions, came out of the blue, and we have spent a considerable amount of time dealing with the issues it creates. We have been working hard to make the Lord Chancellor's office, the judiciary, and other IP organisations aware of the problems arising from the current text of the convention. While the Federation has been successful in pointing out the difficulties, a lot of work remains to get acceptable language agreed.

The question of exhaustion of rights continued to be a hot topic in the trade mark area. During the year the decisions in court cases did little to clarify the issue, and until the European Court of Justice renders its opinion in *Davidoff v A&G* the questions will remain. The Federation participated in a European-level hearing giving input to a working document that was discussed at the Internal Market Council meeting at the end of the year.

On the patent side, costs, litigation, revision of EPC, and grace period continued to be issues. The Federation, along with other organisations, has consistently advocated the need for patent costs to be reduced — in particular the costs of translations. As a result of these efforts, we have been heard, and an Optional Agreement on translations now seems likely. While there has been progress on an improved litigation regime, there is still a lot of work to do to get agreement to the sort of litigation system that would meet the needs of industry. Likewise, the question of a grace period has been referred to two experts and a good deal of work still needs to be done to be sure that an acceptable position is arrived at. The EPO has now produced a basic draft proposal for revision of the EPC, and a new draft regulation for a Community Patent will be published by the Commission in early July.

You can read more about these issues in the pages that follow. In addition, the Federation worked on a number of other important issues that are also discussed in this year's **Trends & Events**. As you will see, the past year has been significant both in terms of the issues we have had to deal with and in terms of the changes that have taken place in the IP field.

All of us at the Federation look forward to the challenges of the coming year and urge you to actively support the Federation in its efforts by becoming a member of Council or one of our committees, or simply by letting us have your views on any of the several issues that affect industry. ■

Hague Judgements Convention

During 1999, the activities of the Hague Conference on private international law gained attention. The Conference is preparing an international agreement on the recognition of jurisdiction and foreign judgements in civil and commercial matters, somewhat similar to the Brussels Judgements Convention which applies within the European Union. In October a Special Commission of the Conference adopted a preliminary draft convention (referred to as the Hague Judgements Convention), which will be put to a diplomatic conference, expected to be held during 2001.

The Council of the Federation was unhappy about the draft provisions affecting intellectual property in the provisional texts considered by the Special Commission, and representations were therefore made to the Lord Chancellor's Department, which represents the United Kingdom in the international discussions. In particular, the Council was concerned that the draft enabled allegations of intellectual property infringement to be adjudicated in courts unfamiliar with the relevant law, separately from issues concerning ownership and validity. The Council was also concerned about the failure of the draft to allow for special litigation arrangements such as those under the Community Trademark Regulation or under the optional litigation protocol for European patents, currently under discussion (*see page 14*). UNICE also made representations on the convention as a whole to the European Commission and to the Conference, highlighting the danger that non-competent courts could accept jurisdiction, and embraced the particular points made by the Federation.

The draft adopted by the Special Commission appeared to recognise some of our concerns by providing that infringement should be dealt with by a court in the state under whose law the right concerned is registered, along with registration and validity. However, the text concerning infringement has been bracketed, meaning that it is not generally agreed. Indeed, other bracketed text allows any court to consider infringement. The provisions on the relationships with other litigation arrangements are still not satisfactory. Moreover, the draft convention as a whole is unbalanced as between plaintiff and defendant, because a plaintiff has a wide range of options on the choice of court in which to seek a judgement dealing with alleged infringements in all participating states. These courts may be unfamiliar with the relevant law and jurisprudence.

The Council considers that wide opportunities for "forum shopping" by plaintiffs for an international judgement against all alleged infringements could lead to considerable unfairness for defendants and is unhappy with this aspect of the draft convention. Intellectual property users may be in the position of defendant as often as plaintiff. Under the draft convention, for example, it would often be possible for a U.S. plaintiff to bring an action for infringement of a European patent or other right in a U.S. court, whose judgement would have to be recognised and applied in Europe, despite the differences between European and U.S. law and jurisprudence. The Council is disturbed by this possibility and the Federation will therefore continue its efforts, in co-operation with UNICE, to secure significant improvements in the draft convention, or, better, to remove intellectual property from its scope. ■

Trade Marks

Exhaustion of Rights

In the 1998/99 issue of *Trends & Events*, we said that this was the hottest trade mark topic of the year. If the *Silhouette* case brought the subject to the boil, then the cases which have been decided in the year which followed have kept the subject simmering nicely.

We finished last year's report with a note on the Advocate General's opinion in *Sebago v. GB-Unic*. In July, the ECJ handed down its decision which, as expected, endorsed the Advocate General's opinion. GB-Unic had tried to suggest that once the proprietor had placed goods on the market in the EEA, then it was effectively estopped from withholding its consent to the importation from outside the EEA of the identical goods. The Advocate General, in his opinion, had delivered a sharp warning to the court that, if it allowed such an argument, this would effectively amount to a reversion to an international exhaustion regime by the back door. The court confirmed that it was the proprietor's prerogative to exercise his trade mark rights as and when he saw fit. The question of whether or not he withheld his consent in relation to the goods at issue had to be considered anew each time. His previous course of conduct in relation to the same or similar goods did not affect the deliberation.

Unfortunately, the issue was far from settled. In the previous month, there had been the decision of Laddie J. in the case of *Zino Davidoff SA v. A&G Imports Limited* in the English High Court. In that case, the trade mark owner had sold the product to a distributor for onward distribution only within a defined territory. The clause in issue read "The Distributor undertakes not to sell any Products outside the Territory and shall oblige his sub-distributors, sub-agents, and/or retailers to refrain from such sales". On behalf of the defendants, it was submitted that the clause left the Distributor and the other

intermediaries handling the goods mentioned in the clause free to sell their products in the territory without requiring them "to incorporate self-perpetuating contractual terms on everyone further down the chain of distribution limiting where the goods may be sold". It was also noted that none of the products carried any markings or notices to the effect that there was any restriction on where they might be sold.

The judge basically agreed, stating that the doctrine of implied consent within English contractual law meant that unless it could be clearly demonstrated that the purchaser had notice of the proprietor's withholding of consent at the time of purchase, consent would be implied. In effect, the onus was now on the trade mark owner to show that his consent had been withheld, a reversal of the situation that had existed since *Silhouette*. Predictably, counsel for the plaintiffs riposte had been to rely on the *Sebago* decision and argue that use of the contractual implied consent approach would permit international exhaustion through the back door.

Although a decision of the English High Court, the judgment was couched in terms such that the argument could be adopted by judges in other jurisdictions wishing to limit or even negate the effect of *Silhouette*. For the remainder of the year, therefore, there was considerable uncertainty, not only in the UK but also in other Member States where the jurisprudence was not established and/or where the government was known to be against the idea of regional exhaustion.

Very recently, some hope has been given to trade mark proprietors in the shape of the decisions of Lord Kingarth in the cases of *Zino Davidoff SA v. M&S Toiletries Limited* and *Joop! v. M&S Toiletries Limited* in the Scottish Court of Session. The facts were identical with those in *Davidoff v. A&G*, but the judge found no equivalent of the doctrine of implied consent in Scottish law, and held that the plaintiffs had made out their case in both instances. →

But no doubt the arguments will continue until such time as the ECJ pronounces upon *Davidoff v. A&G*, three key questions on the case having been referred to that court under Article 234 of the Treaty of Rome.

In a related debate, the ECJ has also been pronouncing on the issue of whether, in intra-EEA trade, a parallel importer may affix the manufacturer's trade mark to his own outer packagings for those goods. Originally, of course, such an act would have amounted to trade mark infringement, but the *American Home Products* case in 1978 had permitted the practice where it could be shown that, by employing different trade marks in different Member States, the trade mark owner intended to partition the internal market. The 1996 case of *Bristol-Myers Squibb v. Paranova* further restricted the trade mark owner's rights by permitting the re-packaging of his goods by a parallel importer provided certain conditions were satisfied.

In October last year, the ECJ handed down its judgment in *Pharmacia & Upjohn v. Paranova*. In Greece and France, *Pharmacia* and *Upjohn* marketed a product under the trade marks *DALACIN-C* and *DALACINE* respectively. In Denmark, the same product was marketed under the trade mark *DALACIN*. *Paranova* imported into Denmark supplies of the product which it had purchased in Greece and France. In order to make the product more acceptable in the home market, it re-labelled the re-packaged product with the Danish variant *DALACIN*.

The court held that it was for the national court to decide whether the change of trade mark was "objectively necessary". Unfortunately, the court did not clarify what would make it necessary to change the trade mark, other than to say the test of necessity would be satisfied if "effective access to the market" was denied. It did say that if there are local regulations or laws prohibiting the marketing of the product unless the local trade mark is affixed, then that might well justify a change of mark. On the other hand, a change which was done purely "to secure a commercial advantage" would not be sufficient.

Here the wheel comes almost full circle with the recent decision of Laddie J. in the English High Court in the case of *Glaxo and others v. Dowelhurst and Swingward*. This was a case in which the parallel

importers had re-packaged the product and re-affixed the mark. The judge held that the effect of the European jurisprudence on these issues was that provided no substantial damage to the specific subject matter of the trade mark arose, then such action was permissible even if strictly unnecessary. Further, the judge went on to say that, even where the use complained of did cause substantial damage, the trade mark owner could not complain if the use of his trade mark was necessary or his complaint was a disguised restriction on trade between Member States.

The outcome of the case is that, as in the debate over consent, trade mark owners are left in a situation of uncertainty until such time as the ECJ decides upon the questions referred to it by Laddie J.

What of the Federation's part in all this? The Government set up a Trade and Industry Select Committee to enquire into "trading, trade marks and competition", and in particular whether it would be desirable to move to a system of international exhaustion. Members of the Federation were invited to appear before the Committee to put the Federation's view. Ultimately, the Committee decided that "the potential consumer benefits of international exhaustion of trade mark rights outweigh the disbenefits", whilst allowing that there was a need for some exceptions, e.g. the pharmaceuticals sector.

At the European level, there was a hearing in Brussels in April attended by around 180 representatives of the various interested parties, including the Federation. In June, Commissioner Monti reported on the hearing to the Internal Market Council and announced that a working document on the issue would be produced. This turned out to be a succinct and well-balanced piece of work, which however did not make any policy recommendations one way or the other. It was discussed at the Internal Market Council meeting in December. No formal decision was taken by the Council but the incoming Portuguese Presidency was challenged to make a final decision on the issue.

This year, it was announced that the subject would be discussed by the Internal Market Council at the end of May. In advance of this, the TMPDF circulated its summary position paper to MEPs, the Government and the UK's representative in Brussels.

Counterfeiting

During the year, a number of organisations involved in the fight against counterfeiting and piracy formed the Alliance against Counterfeiting and Piracy. The aim was to bring to the Government's attention the shortcomings in the present law. Members of the Alliance included the Anti-Counterfeiting Group (ACG), Anti Copying in Design (ACID), the British Brands Group (BBG), British Phonographic Industry (BPI), British Software Alliance (BSA), European Leisure Software Publishers Association (ELSPA), Federation Against Software Theft (FAST), Federation Against Copyright Theft (FACT) and some others.

As part of the campaign, a Private Members Bill was prepared to amend the law relating to Copyright & Trade Marks and to cover other matters. The Bill attempted to make the person who arranged an "occasional sale" liable if he became aware or was made aware of the sale of items which infringed copyright. It was an attempt to control car boot sales, Sunday markets, etc, where pirated videos, CDs, computer software, etc were on sale. Similar provisions also applied in respect of trade marks at these occasional sales. In both cases, the organiser could be liable under both civil and criminal provisions within the law.

The Bill was attempting to increase the criminal liability for infringement of copyright. The maximum prison sentence of two years in Section 107 of the 1988 Act would have been increased to seven years. Other provisions within the Bill related to offences for making, dealing in, and importing devices designed to circumvent copy protection of copyright works.

The Bill was moved to be read a second time, but following the debate in the House of Lords and the Government's comments, the Bill was withdrawn in March this year.

However, as a result of the Bill, the Patent Office has set up a Counterfeiting and Piracy Forum to discuss the problems caused by counterfeiting. There has been a strong hint that the penalties for piracy and counterfeiting may be increased in the forthcoming Consumer Protection Legislation.

Look-Alikes

The last issue of *Trends & Events* noted that SACIP had discussed the subject in November 1998. A report of that meeting was given at the last meeting of the Trade Marks Committee in 1998, in December, when a lively debate followed. There was the question of what those advocating action wanted to see: was it a civil action or a criminal one, or action by a third party (perhaps a state agency) on behalf of the aggrieved party? There was a suggestion that an unfair competition law would provide a better solution, but others felt that the basis of passing-off was adequate, albeit that the forum of the High Court, with its associated combination of costs and complexity, did not help matters. There was a suggestion that the action should be moved to local commercial courts, when perhaps the legally qualified bench could be supplemented with independent businessmen and other appropriate professionals.

There was precious little to report on the subject during the year under review, but at the beginning of this year Lord McNally introduced his Private Members Bill on copyright and trade marks (mentioned above). Part 2 of this Bill concerned "acts of imitation" and sought to impose a duty not to imitate any features of packaging, marking, labelling or decoration of goods or services. Although the Bill had to be withdrawn, the episode did serve to raise the profile of the issue once again.

Comparative Advertising

In July 1999 the Government produced its first draft of the Control of Misleading Advertisements (Comparative Advertisements) (Amendment) Regulations 2000, designed to implement the requirements of the Directive concerning misleading advertising "so as to include comparative advertising". Oddly, and perhaps because in its covering letter the Government concluded that Section 10(6) of the Trade Marks Act 1994 would not require amendment as a result, the letter was not circulated to any of the specialist IP organisations, including
TMPDF. →

Fortunately, one of our members got wind of it via another route and contacted the DTI, as a result of which the papers were eventually circulated to TMPDF and other IP organisations.

The Federation wrote to the Chief Executive of the Patent Office to complain about this, and also to disagree with the notion that Section 10(6) did not require amendment. We pointed out that if the draft Statutory Instrument was accepted and Section 10(6) remained unamended, it appeared that a complainant had the choice of either seeking an injunction in the courts under Section 10(6) or of asking the OFT to do it for him. The concern was that if the OFT subsequently refused to take any action or delayed its decision, the complainant might have lost the chance of applying for interlocutory relief. Meanwhile the damage, in the shape of misleading aspersions about his trade mark or trade name, would have occurred and the effects might be irreversible. We also felt that the additional hurdle must generate additional cost, contrary to the view expressed in the covering letter.

The Federation was pleased to receive a letter from the Chief Executive of the Patent Office apologising for the fact that the Federation was not kept informed, and also stating that departmental lawyers were considering a possible change to Section 10(6) to deal with lost opportunities for interlocutory injunctions. It was therefore disappointing to learn later on that the same member who had originally alerted us to the issue had received a letter from the Consumer Affairs Directorate of DTI maintaining the view that Section 10(6) did not require amendment, although apparently accepting the point it might be necessary to introduce a time limit for the OFT to respond to any complaints. The reply was somewhat ambivalent on the question of costs, but did also contain an apology for not including the Federation on the initial consultation list.

At the time of writing, the Regulations have just come into force (23 April), and it was disappointing to note that no time limits have been imposed upon the OFT, with the result that the aggrieved trade mark owner does indeed now appear to be faced with the difficult choice outlined above.

Company Law

The last issue of *Trends & Events* noted that the Federation had responded to the DTI's initial consultation document "Modern Company Law for a Competitive Economy", published in March 1998. As a result, the Federation was sent, by the Company Law Review team at the DTI, a copy of the follow-up document, "Modern Company Law for a Competitive Economy: The Strategic Framework", Question 16 of which asked "Is it agreed that the present rules on company names are satisfactory and, if not, what are the objections to them and how should they be changed?"

The Federation felt that the question deserved an answer, and discussed it in committee. It was felt that the present Companies House check for conflict when registering a new company was not satisfactory. It was agreed that what was required was a more realistic system for objecting to names that were so nearly identical to existing company names as to cause confusion. As a result of the discussion, the Federation submitted a paper on the subject to the review team. Earlier this year, the submission was supplemented by letters from the Federation referring the review team to the judgment in the Irish case of *Guinness Ireland Group v. Kilkenny Brewing Company Limited* and to the Industry Canada website, both of which allude to the relationship between registered trade marks and company names.

Well-Known Marks

The Resolution on Well-Known Marks, which was referred to in last year's *Trends & Events*, was put to the General Assembly of WIPO and the Assembly of the Paris Union during their annual meetings in September 1999.

However what was finally adopted was not entirely in accord with what the Standing Committee had proposed. The wording of the Resolution itself was adopted without change, but its effect on the Member States is now somewhat watered down from being a clear recommendation into an optional one. The actual Resolution passed was that "each Member State may consider the use of any of the provisions

contained herein which were adopted by the Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications (SCT) at its Second Session, Second Part, as guidelines for the protection for well-known marks”.

It remains to be seen how the different Member States will proceed from here but the UK Patent Office has indicated that although it has no difficulty with those parts of the Resolution dealing with trade marks, some thought will have to be given about other parts which deal with business identifiers and Internet domain names.

Domain Names

Much has occurred in the fast moving world of the Internet and e-commerce during the year under review. In general terms, there has been a movement away from the creation of the necessary bodies to ‘govern’ the Internet, towards a discussion of issues of importance to trade mark owners.

ICANN

At this time last year not all of the governing structure was in place and some of it was very new. ICANN (the Internet Corporation for Assigned Names and Numbers) had only just been created as had its 3 supporting Organisations, of which the most important to IP interests is the Domain Names Supporting Organisation (DNSO). The constitution of the DNSO envisages that it should have 7 separate constituencies, one of which is the Intellectual Property Constituency (IPC). This, it is hoped, will eventually encompass all IP organisations and associations worldwide and the Federation is a member. Indeed David Tatham, a Federation Vice-President, is also one of the two Vice-Presidents of the IPC.

Dispute Resolution

One of the first issues to be decided by the DNSO was the creation of a speedy and comparatively cheap method of resolving disputes between the registrants of new domain names and the owners of existing trade marks. The DNSO proposed, and ICANN eventually accepted, a set of Rules for a Universal Dispute Resolution Procedure (UDRP). This is ‘universal’ in that it

must be adopted by every Registrar in every one of the many new Registries which sprang into being in the latter part of 1999. They did so as soon as ICANN had succeeded in breaking the monopoly on the registration of new domain names in the .com .net and .org Top Level Domain Names (TLDs), which was previously operated by Network Solutions Inc. Nearly 150 such registries have now been accredited by ICANN, although NSI remains far and away the biggest.

As a result of the UDRP, every new domain name registrant accepts, when he registers his name, that in the event of an objection to it from a trade mark owner, he will be bound by the UDRP. Any dispute is referred to one of 4 ‘providers’ all of whom have been appointed by ICANN. Three of these are in the USA and the third is WIPO. The procedure has been an instant success, there having been over 700 referrals by mid-May 2000 since it started at the beginning of January.

Better Protection for Trade Marks

Many trade mark owners and their attorneys have horror stories to relate about the activities of cybersquatters and cyber-pirates, and the next contentious issue to be decided relates to what protection should be granted to trade mark owners when, or if, new Top Level Domain Names are created. It is apparent that the 3 existing generic TLDs are becoming increasingly crowded and that new ones are urgently needed. Apart from which the newly enfranchised Registrars are very keen to operate new TLDs.

The IPC is very actively involved in the debate at two levels. The first is its absolute insistence that no new TLDs should be created until there are in place adequate protection for trade mark rights, and the second is the need, which was admirably expressed by WIPO in its Final Report, to provide extra protection for the owners of Well-Known Marks.

At an ICANN meeting in Cairo in March 2000 the IPC put forward a paper proposing that there should be an automatic exclusion from the registration as a domain name of any Famous or Well-Known Mark by anyone other than its genuine owner. As a consequence the ICANN Board passed a Resolution in Cairo asking WIPO to develop its proposals, contained in the Final Report, for the creation of a list of

globally famous marks. Meanwhile a counter proposal was made suggesting that instead, all trade mark owners should have a ‘sunrise’ period of 1 month following the creation of a new TLD during which they could register not just their trade marks as a domain name, but several variations of it as well.

This debate continues, and is unlikely to be decided before the next ICANN Meeting which will take place in Yokohama in July 2000.

WHOIS

Another issue being pursued by the IPC is its insistence on the creation of a reliable and up-to-date list of who owns any particular domain name. Previously Network Solutions Inc. had created a WHOIS database, but with the break-up of its monopoly NSI is reluctant to allow such ready access to its List as it did previously, so a new one is required which provides free and open access to anyone.

"Dot EU"

A major initiative of the European Commission, which was announced in February 2000, was the proposed creation of a special “European” ccTLD (country code Top Level Domain Name) to be called *.eu*. Comments were called for and there is considerable support for the project which is moving forward at a rapid pace.

Madrid Protocol

Through the year there appeared to be no progress at all on the twin issues of membership of the Protocol by the EU and the US.

The good news was that the Protocol itself continued to appear popular, with more countries joining, bringing the total to over forty by the end of the year. The biggest of these was Japan, with effect from March this year.

Then, right at the end of the year, some amazing and unexpected good news: after a five year stalemate, it was announced that the US and the EU had reached

an understanding on voting arrangements in the Madrid Assembly, thus clearing the path for the US to join the Protocol. This step still requires approval of the US Senate but, since the great majority of US industry appears to want membership, most are regarding this as a formality. Others continue to sound a note of caution, but if the optimists are right it is possible that the US could be a member by mid-2001. If that happens, then it is expected that many other countries will follow suit.

OHIM

After 4 years of operation, it can now be said that the Community trade mark system has been a success. Some 31,500 applications were filed in 1998. This was massively exceeded in 1999 with a total of 41,242 and the figures for the first few months of 2000 indicate that this rising trend will continue. Applications from the United Kingdom account for about 12% of the world total, with only Germany (17%) and USA (25%) being higher.

The suspension of any examination of seniority claims made for CTM applications was maintained by the Office in Alicante during the year under review, but not for any such claims made after registration. However the Office did indicate that as from May 2000 it would again begin to examine any seniority claims made for applications filed after that date.

There is nothing to report on the question of searching. Little more has been heard of the Commission’s review of the search procedure which has to be undertaken in 2000/2001. The Federation still supports the UNICE line that ideally there should be no official search at all but, as a fallback position, we could agree to an official search which is optional at the choice of the applicant.

The opposition procedure at the Office is now in full stride, with some 19,000 oppositions filed by the start of May 2000. This means that about 20% of all published applications receive at least one opposition. All Decisions by the Opposition Division are published on the Office website. Many opposition are however rejected solely because the opposing party has failed to provide adequate evidence that his mark is being genuinely used, if it is more than 5 years old.

The number of pending appeals continues to mount, as

does the number of Appeal Board Decisions referred to the Court of First Instance in Luxembourg. Early in 2000 one of the Appeal Boards handed down a decision that indicated that CTMs could be registered for retail services. The implications for this in the rest of Europe are substantial and the Office, which disagrees with the Decision, is currently consulting widely among the national offices of the Member States and with all the interested circles throughout the EU.

Searching

The Federation's paper on Searching in the UK, which is referred to in last year's **Trends & Events**, was presented to the Patent Office and discussed at a SACIP meeting in January 2000. At this meeting the Patent Office made it clear that it would be very difficult for there to be any consideration of the matter before 2004. However there was an interesting discussion in which the majority of SACIP delegates appeared to support the Federation's position that there could never be any reconciliation between the two opposing camps – the one advocating a full *ex officio* search and refusal regime, and the other opting for no official search at all on the grounds that all prudent trade mark applicants will have done a search before committing their money to filing an application. The Federation, in its paper, therefore advocated an optional system under which an applicant could choose either to have an official search conducted (for which he would pay) or not. It remains to be seen how much support this will receive in 4 years time.

Trade Marks Registry

The Registration Practice Working Group (RPWG) met three times over the past year. The first of the three meetings took place on 16th November 1999

after a long gap. At that meeting Peter Lawrence enquired whether the Interests (principally the two Institutes and TMPDF although other groups such as The Law Society are entitled to attend the meetings and do indeed do so from time to time) felt that the RPWG continued to serve a useful purpose. The TMPDF Trade Marks Committee agreed that it did and the Chairman wrote to Mr Lawrence accordingly. This view coincided with that expressed by the other Interests and quarterly meetings have been arranged for the next twelve months.

The following meeting took place on 30th March 2000 with a full agenda including consideration of draft papers prepared by Allan James on Acceptable Forms of Graphical Representation, Surnames, Forenames and Full Names, Names or Pictures of Famous Persons, Prior Rights, Families of Marks and Wide Specifications. In a number of cases, comments made by the Interests have resulted in the Registry giving detailed further consideration to the various points.

The most recent meeting on 8th June followed hard on the heels of the Open Forum organised by the Registry in conjunction with the Appointed Persons and OHIM. Inevitably, the discussions focused on issues raised at and by the Open Forum with particular reference to the proposed "British Day" at Alicante. Peter Lawrence emphasised that it is essential that he receives advance notice of any points the Interests wish to raise with OHIM. Please would members respond as soon as possible bearing in mind that issues should be of a broadly procedural nature rather than a legal nature. Registration for retail services for example will be off limits.

Future meetings of the RPWG will take place on 12th September 2000, 7th December 2000 and 13th March 2001. Members with any issues they wish to be raised should notify the office at least a week before the date of the relevant meeting. ■

Patents

European Patents

An intergovernmental conference on 24/25 June 1999 considered the main political items for a diplomatic conference in November 2000 in the fields of costs, litigation and the grace period. The first two were delegated to governmental working parties and the third to the EPO. The diplomatic conference will also deal with proposed amendments considered by the SACEPO, the Committee on Patent Law and the Administrative Council over the last two years.

Cost Reduction

Regarding cost reduction, there is optimism that an optional agreement on translations may be acceptable to a majority of EPC countries. On the table is the proposal that if a state has as its national language one of the three EPO languages, it will not require a translation of the description; while a state not having an EPO language as a national language, will not require a translation provided that a text in an EPO language specified by that state is supplied. (It is expected that those states which plan to join the agreement and do not have an EPO language - Denmark, Sweden, the Netherlands - will in fact specify English). Any state may require a translation of the claims into its national language; and there are provisions for the supply of a translation in the event of litigation. The agreement would enter into force on ratification by eight member states, including all of UK, France and Germany. At the present moment, Italy, Spain, Greece, Portugal and Ireland have said that they will not be able to sign the Agreement. The position of Austria and Finland is undecided. All other countries have expressed support for the Agreement, although conversion of expressions of support into ratification can be uncertain and may take years. The ability of France and Germany to convert their clear wish to participate into the political momentum required to produce ratification, will be crucial.

Other cost reduction proposals have been considered but most have been rejected. There is little support for filing translations centrally at the EPO - the member states fear loss of fees on filing translations. Another

possibility discussed and not yet completely dead is to permit delay in filing translations. This however is an unpopular solution because of the problem of intervening rights and increased uncertainty for industry.

Litigation

The working group on litigation has agreed the outline of a system for litigation of European bundle patents in the Protocol States, published on 18 April. This would provide a first instance European Patents Court with local presence and a Second Instance Court for patent appeals. The main problem is how to fit in the national courts in cases where the parties agree to use them. This will affect the number of states that will join this Protocol.

As this goes to print, the States that have expressed support for the outline European Protocol on the Litigation of Patents (EPLP) are the UK, the Netherlands, Sweden, Switzerland, Denmark and Luxembourg, whilst Spain, Italy, Greece, Portugal and Eire have indicated that they are unable to accept its wording. The position of other States such as France and Belgium is unclear, but Germany, after some vacillation, appears to have hardened its stance against EPLP in its present form.

The key issue that appears likely to determine the number of States that will sign the EPLP is the requirement that the new European Patent Courts will have exclusive jurisdiction over the validity and infringement of European Patents in the contracting States to the EPLP. Whilst it is intended that the new Court would provide authoritative Decisions, at reasonable cost and in an acceptable time frame, covering all EPLP States, a number of States are still reluctant to surrender jurisdiction to such a supranational Court for a variety of reasons.

Importantly, the high level of European Patent litigation activity in the German Courts, particularly in Dusseldorf, has encouraged the German Ministry of Justice to believe that its national system serves a similar purpose, in providing Decisions that are of pan-European significance. They have therefore taken a view that German interests would not be best served by abandoning their tried and tested national system for a new and completely untested European Patent Court.

The view of Industry in the UK and several other of the potential EPLP Contracting States is that Germany, and preferably also France, must join the EPLP in order to make the geographic coverage of the European Patent Court attractive from a business standpoint. The resolution of this issue, if agreement is to be reached before the Diplomatic Conference in London in November 2000, will require the development of creative solutions. Even then, it is unlikely that any document which is agreed will be more detailed than the present outline and much work will remain to be done before any State can, or will, ratify the EPLP.

Grace Period

Regarding the grace period, the EPO has referred the matter to two experts: Mr Galama, retired recently from Philips, and Professor Straus of the Max Planck Institute. Separate reports will be supplied to the EPO and there should then be a meeting to find common ground. The final version is needed for the June Administrative Council. The matter has been complicated by a French proposal to confer the benefit of a grace period on disclosures made six months before filing in an EPC member state or at the EPO together with a declaration about the disclosure. If the grace period is invoked, the application will be published 18 months after the disclosure. The proposal has the defect of conferring priority on the disclosure in cases where there is alleged derivation and thereby incorporates elements of first to invent. Moreover, as the benefit would be limited to first filings in an EPC state or at the EPO, there would be protests by non-EPC states to the TRIPs panel for lack of national treatment.

Miscellaneous Amendments to EPC

Regarding the more technical amendments considered by the SACEPO, the Committee on Patent Law and the Administrative Council, the following appear to have been accepted: adapt the EPC and its Protocol on Centralisation for general application of BEST (“Bring Examination and Search Together”); introduce an age limit for Board of Appeal members; bring Article 52 into line with TRIPs (computer software – *see page 16*); align Article 53(a) and articles on priority with TRIPs (extend priority right to any WTO country); delete Article 54(4) to provide a Europe-wide prior art effect of EP applications and to make the state of the art stable; reciprocal recognition of priority rights (Taiwan); refer formal

requirements for claiming priority to the Implementing Regulations; extend further processing to all time limits in the grant proceedings; unbundle the EP register and Bulletin; integrate the requirements of Article 163 into Article 134 for national representatives of newly acceded contracting states; relieve the Boards of Appeal of review of PCT protest cases; delete obsolete transitional provisions; and provide for central limitation before the EPO.

Further matters approved by the Committee on Patent Law are: participation of national judges in the Enlarged Board of Appeal on a permanent basis; empowerment of the Administrative Council to amend the EPC to comply with EC legislation and international treaties; and refer filing date requirements to the implementing regulations and adapt them to the PLT. Other matters are the subject of continuing debate and decision by the Administrative Council.

The Diplomatic Conference will proceed on the basis of a “basic proposal” to be finalised by the Administration at the latest at its September 2000 meeting.

The 18 November 1999 Committee on Patent Law gave its opinion that all the amendment items could not be handled at the November Diplomatic Conference, but the Administrative Council subsequently denied any extension. Nevertheless if the work is not completed it may have to be continued in the spring of 2001.

Article 84 EPC as a Ground of Opposition

The same Committee on Patent Law also decided against inclusion of Article 84 as a ground of opposition. UNICE has been involved in this question (lack of support as a ground of opposition or revocation) and this subject continues to attract interest. UNICE said in the past there was no need for such a ground and the Committee on Patent Law said there was not enough substance in the matter to take it up, while EPO said they would only take it up if the users strongly desire it.

The present UNICE view is that while there is a problem with excessively wide claims in some granted European patents, “lack of support” as a ground of opposition is not the proper answer. But there should be better statutory control of excessively wide (pre-emptive, greedy, free-beer) claims. A possible ground could be that the width of the claim is not commensurate with the contribution made by the

invention to the art.

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Patentability of Software and Business Methods

In late 1998, the US Court of Appeals for the Federal Circuit issued a decision in the *State Street Bank* case which overturned previous practice and said, in effect, that there was no bar on the patenting of business methods in the US. This decision caused uproar amongst interested circles, and triggered a wide-ranging debate around the world about the desirability of allowing patent protection for such methods – whether or not embodied in computer software.

Meanwhile, the debate in Europe on the patentability of computer software had been gathering pace. Although the EPC does not permit the patenting of programs for computers as such, it has been possible for many years to obtain effective protection for software by filing appropriately worded claims. As part of the work on revision of the EPC, it is proposed that the prohibition on patenting software should be removed, and TMPDF has supported this position.

The issue of business methods (which are barred from patentability by the same article of EPC which bars protection for computer programs) has thus inevitably been brought to the fore – and has been widely debated in the popular press as well as in specialist circles. TMPDF has taken the position that the present restrictions on patenting software-related inventions are harmful to European industry, and that the EPC should be amended to adopt the wording of Article 27 TRIPs, which declares that patents shall be made available for any inventions, whether products or processes, in all fields of technology, provided they are new, involve an inventive step and are capable of industrial application. Any extension of patentability in the area of business methods beyond the basic definition in Article 27 TRIPs should not be permitted. We anticipate that there will be a continuing, active debate on this subject as views from various sectors mature.

Impact on the Community Patent

Industry wants the Community patent, although not on the Commission's terms. Translations for all EU countries and litigation before the national courts is not acceptable. Resolution of the CPC problems is apparently being put off while the Commission awaits

the outcome of amendment of the EPC. The UNICE position is that industry wants both a better EPC, EPLP and CPC. It is not possible to have the EPLP system without close harmonisation of national laws. But if that is done it will make CPC easier to attain.

Utility Models

The European Commission has been attempting for some time to harmonise laws on Utility Models within Europe by means of a directive. TMPDF has taken the position that Utility Model legislation for the UK would be highly undesirable, especially for SMEs which the Commission seem to think are the beneficiaries of the proposed directive. After much lobbying, it now seems unlikely that international consensus will be achieved, and we are optimistic that no directive will be forthcoming.

UK Patent Office Informal Patent Practice Working Group

Discussions in this group have ranged widely over a number of topics connected with the day to day operation of the UK Patent Office, including the relocation of the Patent Office; the Patent Office web page; patent grant certificates; address for service; facsimile filing; acknowledgement slips; assignments; renewal reminder letters; and translations of various documents. During the year, a new set of patent rules came into force. The new Freedom of Information Act was published in December 1999, and the Patent Office are considering the implications regarding the confidentiality of material on patent files. There is a particular concern that the Comptroller's discretion to order documents to be kept off the public file may be a victim of the Act, and there is also concern that applicants may be able to find out who had inspected files of their applications. It is now possible for an applicant to request that inventor addresses be omitted from the Register, where the inventor is not the applicant. Other aspects such as allowing the filing of Form 7/77 without giving home addresses for individual applicants will be looked into. Also discussed has been the new practice on claims to computer programs, which was the subject of a Practice Note on 19th April 1999. ■

Biotechnology

EU Biotech Patents Directive

Plans to implement the directive in Member States are progressing slowly and it appears that a number of countries will not be able to meet the 30 July 2000 deadline. The European Patent Office, although under no obligation to do so, has adapted its rules to reflect the wording of the Directive and new Regulations came into force on 1st September 1999.

Paradoxically, the position in Holland is encouraging – despite the ongoing case before the ECJ (see below). There is a bill before Parliament and the cabinet is believed to be generally in favour of implementation, although some difficulties remain over plants and animals, and the deadline will likely be missed. In the UK, the process is also on track. A draft Statutory Instrument was produced in April by the UK Patent Office seeking comments by 12 May and apart from a few minor corrections to the provisions regarding micro-organism deposits the draft is generally satisfactory. The finalised SI is going to Parliament in June. However, it is clear that in France, where there are difficulties in the Agriculture Ministry in relation to ‘Farmers’ Privilege’, the deadline for implementation will not be met. There are delays also in Germany where there is discussion of introducing the protection of animals into the constitution. Accordingly there could be problems in patenting animals. Denmark completed the implementation process in May, the first country to achieve this. In Belgium there seem to be distinct problems. A meeting organised by Minister of Economic Affairs was held on 7 April and was attended by a number of anti-biotech NGOs, from whom it

appears further input has been sought before a draft law is prepared. It seems highly likely in the circumstances that the deadline will not be met.

With national implementation of the biotech directive delayed in many countries there is concern that continuing anti-biotech activity could still threaten the directive even at this late stage. In April two European politicians, Wolfgang Wodarg, a social-democrat member of the German parliament, and Jean-François Mattei, a conservative member of the French parliament and professor of medical genetics, launched an initiative, called SOS Human Genome. The initiative, which apparently originated in the Council of Europe's parliamentary assembly, proposes a moratorium on implementing the biotech directive. A petition available on a web site has allegedly been signed by a large number of people.

In addition, there is a move afoot to ‘re-implement’ the Directive in the EPC by amending the Articles rather than relying on the existing changes to the Rules (effective September 1999), changes which some have considered to be ultra vires. It is understood that at a meeting of the Patent Law Committee of the EPC in early April Belgium led the way in this. Countries supporting Belgium are UK, France, Denmark, Netherlands, Monaco, Spain, Greece and Portugal. Germany at first followed but later changed its view since political circumstances in Germany may prevent the necessary two-thirds majority in German Parliament being obtained to amend the EPC. It remains to be seen whether this move will gain ground. At present, the proposal is not on the agenda for the EPC diplomatic conference to be held in November 2000.

As regards the Dutch legal challenge to the Directive at the ECJ case on the legality of the biotech directive there is little to report. An oral hearing is expected to take place in a few months time. Only then will the documents be open to public inspection.

Anti-Biotech Lobby in Europe

Despite the passage of the Directive, there is still a worrying amount of anti-biotech sentiment. The Council of Europe Parliamentary Assembly issued a Recommendation on 22 September 1999 stating that ‘neither plant, animal nor human derived genes, cells, tissues or organs can be considered as inventions nor be subject to monopolies granted by patents’. Further, they urged the Committee of Ministers to ‘discuss a suitable alternative system of protecting intellectual property in the field of biotechnology fitting the purposes of the Convention on Biological Diversity (CBD) and meeting the needs of world-wide private as well as public interests’. This resolution has attracted perhaps more attention than it deserves and demonstrates the strength of lobbying across Europe against IP protection including, but not exclusively, in biotechnology, and the need to be prepared to confront the green lobby as the TRIPs review approaches (see below).

Another development of concern is that an Intellectual Property Intergroup the European Parliament held its inaugural meeting in Strasbourg on 26th October. The parliamentarians behind this are exclusively from the left wing of the parliament with members of the Greens, the GUE Group (left wing socialist/Communists) as well as a member of the PSE. Therefore an anti-industry approach of this Intergroup can be expected and the involvement of Daniel Cohn-Bendit will provide a high profile in the media.

EPO Developments

Novartis case – plant patents

A decision was reached by the Enlarged Board of Appeal on 20 December 1999 (G 1/98). This effectively overturned the PGS decision and is fully consistent with the biotech directive. The decision makes it clear that a claim is not excluded from patentability, even though it may embrace plant varieties, provided plant varieties are not individually claimed.

Cloning patent “blunder”

In December 1999 a patent (EP 0 695 351) was issued in error in which a claim could be interpreted as covering the potential cloning of humans. The patent, granted to the University of Edinburgh, relates to the isolation, selection, and propagation of animal and transgenic stem cells.

Needless to say this blunder has caused a furore and has further harmed the image of biotech patenting. In late March the European Parliament passed a resolution expressing their shock, criticising the EPO (not only for granting the patent but also for issuing a misleading press release) and calling for the patent to be to opposed. To date, four groups, including Greenpeace, have filed oppositions.

TRIPs

At the July 1999 meeting of the TRIPs Council India tabled a document calling for a full review of the provisions of Article 27.3(b), which governs the optional exclusion of plants and animals from patenting, this proposal being supported by other developing countries. The process to be followed for the review was still uncertain at that time and was to be considered at the October Council meeting and it seemed likely that the review of Article 27.3(b) would be subsumed into the review of the entire TRIPs agreement in 2000. At the March 2000 meeting of the WTO Council for TRIPs Article 27.3(b) was discussed but nothing substantive was decided. It appears that the session focused primarily on procedural issues with no clear way forward being adopted.

Biodiversity

The expert panel on access to genetic resources and benefit sharing met in October 1999 in Costa Rica. Official papers can be found on www.biodiv.org. The panel produced a set of recommendations on prior informed consent and mutually agreed terms which, thanks to the efforts of EU delegates, were

satisfactory. The recommendations will go to the fifth Conference of the Parties in Nairobi, 15 to 26 May.

WIPO is taking an interest in biodiversity and a Working Group on Biotechnology met in November but has not yet reported. The WIPO draft Patent Law Treaty has been targeted by Andean pact countries proposing as a patent formality the supply of access contract data for genetic material. This proposal has so far been resisted by many countries including the EU and has not been adopted in the draft text for the Diplomatic Conference later this year but the final position may depend upon the Working Group report.

In a separate initiative, it has been reported in the press that WIPO member countries attended a special meeting on intellectual property in April and agreed that WIPO should establish a group dedicated to studying issues such as access to genetic resources and the protection of traditional knowledge. Whether this initiative will take off should become clearer at WIPO's General Assembly in September.

Blair/Clinton Statement on Genetic Research

On 14 March the British Prime Minister and President Clinton issued a joint statement on human genetic research to 'ensure that discoveries from the human genome are used to advance human health'. The statement called for raw fundamental data on the human genome, including the human DNA sequence and its variations to 'be made freely available to scientists everywhere' and caused a sharp reaction in the stock price of many genomics-based biotech companies. However it was later explained that the statement was not intended to be anti-patent. At a Press Briefing Dr Neal Lane, President Clinton's Science and Technology Policy Director, said: "I want to also make it clear the statement is not about patents or what should or should not be patentable. Patent law dictates criteria for patentability and nothing in the statement supersedes these criteria. Intellectual property protection is a vital incentive to promote investment in product research and development." ■

Designs

Draft Designs Regulation

In the mists of 1993 the Commission published two proposals to harmonise the law in Europe on the legal protection of designs. On the model of the regime being introduced at that time for trade marks, one proposal was for a directive to harmonise the individual laws of member states on the registration of designs and the other was for a regulation to establish Community-wide design protection. The proposals proved contentious, mainly because of the effect they would have on the market for spare parts in the motor industry, and after long-drawn-out discussions the proposal for a Designs Regulation was put aside. Efforts were concentrated on the Directive, which was eventually adopted in September 1998. It shelved the problem of spare parts by introducing what became called the “freeze-plus” solution: for the present, member states could either retain their existing law as it affected spare parts or change it, but only in the direction of liberalising the market for spare parts. The Commission would continue to work on the issue and would present proposals for harmonisation no later than October 2005.

The proposal for a Regulation, which was of more interest than the Directive to many sections of industry, was revived in June 1999 with the publication of the Amended Proposal for a Regulation on Community Design, COM (1999) 310 fin.

Its substantive provisions tracked those of the Directive. Protection would be available for a design that was new and of individual character. Design means the appearance of the whole or part of a product, in which are included graphic symbols and typefaces. Newness requires there to be more than immaterial differences from what has been previously been made available to the public. Individual character is judged by the eye of the informed user, though that personage is not further defined. The event making the design available can take place anywhere in the

world, unless it could not reasonably be expected to have become known to the relevant sector in the Community.

As in the Directive, there is an exclusion for functional parts and for must-fit features, that is, those that are governed by the need to make parts interconnect. Component parts that are to be assembled into a larger whole are protected only for those features that remain visible in normal use. However this last aspect is substantially modified by the need to accommodate the solution adopted for spare parts in the Directive: protection for component parts dependent on the appearance of the whole would be removed altogether until the position is harmonised.

The protection comes in two varieties, an unregistered design right and a registered Community Design to be acquired by application to the Office for the Harmonisation of the Internal Market in Alicante, the same body as grants Community Trade Marks. Both would be effective throughout the Community. The unregistered design would last for three years starting from the date it is first made available to the public in the Community and would come into existence automatically for any design meeting the criteria for protection. The registered Community Design would of course come into existence only if an applicant made a positive decision to file for protection. Protection would last for a maximum of 25 years from filing, subject to renewal every five years. Examination would be scant and would not investigate whether the design fell under any of the exceptions such as for spare parts excluded under the freeze-plus solution and there would be no search. One peculiarity is that one application can cover a multitude of designs.

The combination of an applied-for registered right and an automatic unregistered right is the same approach as is followed by the UK. The registered right would be a monopoly, as in the UK, and would be infringed by applying the design, or one not producing a different overall impression on the informed user, to a product and by dealing in the resulting product. For the unregistered design to be infringed, the infringer would in addition have had to have

copied the original design - again, as in the UK.

The rights will be enforceable in designated courts in member states. Defendants can counterclaim in such a court for a registered right to be declared invalid, in which case the registration will be revoked. Alternatively, actions to have a registration declared invalid may be taken to the Office. Unregistered designs can be declared invalid by the designated courts. Once declared invalid a design ceases to have effect throughout the Community.

However, in some circumstances the design will cease to have effect only in an individual member state - a hole in the otherwise unitary nature of the right. These circumstances include the existence of a national registered design applied for before the date of application of the design in question but not available until after that date, and designs contrary to public policy or morality in the country concerned.

Unlike a British design, the owner of the design will be the designer, not someone who commissions the design. However, this default position can be altered by contract and designs created by an employee in the course of his duties will vest in the employer.

The proposal has been discussed by the Council Working Group in the course of the year. They are still at an early stage in their considerations, but it does look as though the possibility of holes in the unitary nature of the Community right is causing sufficient discomfort to put this aspect in question. The TMPDF feels that holes will be sufficiently rare not to cause a problem in practice. The TMPDF would like to see examination extended to include the question of whether a design should be rejected as falling under the spare parts exception. There has been questioning by some member states of the need for an unregistered design. The TMPDF would not want discussion on this point to hold up adoption of the regulation, because it wants to see the Community registered design system brought into effect.

The European Parliament has also started to consider the proposal. An early draft report of the Legal Affairs Committee proposed amendments that would have resulted in the substantive provisions ceasing to correspond to those of the Directive; happily, that danger seems to have been averted.

Implementation of the Designs Directive

Member states are due to implement the directive by 28 October 2001. So far we have had no sight of the implementing instrument for the United Kingdom, although it is understood to be in draft and to be a Statutory Instrument under the European Communities Act 1972 to amend the Registered Designs Act 1949 as already amended by the Copyright, Designs and Patents Act 1988. There will be an extension of protection because the test of eye appeal will cease to apply, but at the same time the requirement for "individual character" will need to be introduced and may increase the threshold. Changes will also be needed because the definitions of design and applicable product are both slightly broader in the Directive than in the current UK legislation. The must-match exclusion will presumably survive at least for the present under the freeze-plus solution for spare parts.

The UK's unregistered design right will survive, because the directive is to harmonise only the law on registered designs, and there are no plans to change UK law on unregistered designs.

Hague Agreement

A diplomatic conference agreed in July 1999 to adopt a new Act, the Geneva Act, of the Hague Agreement Concerning International Registration of Industrial Designs. The agreement, which the UK has signed, will allow a central application for a registered design to be filed at WIPO to take effect in designated countries, but gives countries the option to examine applications for protection in their country. This extension from a pure deposit system widens the appeal of the system and - so it is hoped - will lead to greater use.

Primary legislation will be needed before the UK can ratify the agreement, but the Government has apparently no plans to introduce it and hopes to leave the matter to a private member's bill. ■

Copyright

Draft Copyright ("Information Society") Directive

The most important initiative in the copyright area continued to be the draft Copyright Directive. The original proposal for a Directive on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society had been published in January 1997, and the European Parliament had proposed amendments in February 1999.

In May 1999, the Commission published its amended proposal, COM (1999) 250 final, to take account of the European Parliament's suggestions. Discussions on the proposal then continued in the Council Working Group until March 2000, when it moved to the Committee of Permanent Representatives for resolution of the final unsettled points. Further amendments have been agreed and at the time of writing, it appears that the proposal is likely to be adopted before the conclusion of the Portuguese Presidency at the end of June.

The main difficulties have stemmed from the interaction between the reproduction right and its exceptions. The reproduction right as set out in the draft covers permanent and temporary reproductions in any form - a so-called wide reproduction right. Though familiar to British eyes, it still gives rise to discomfort in some continental member states unless carefully balanced by appropriate exceptions.

There is one mandatory exception, in Article 5(1), for certain temporary copies that are integral to a technical process and whose sole purpose is to allow use of the work. The Parliament had proposed that this exception should apply only when the use was authorised by the rightholder or permitted by law, but the Commission did not agree. By the end of the year, the article had been split into two limbs, one allowing

all such copies whose sole purpose is to permit transmission between third parties by an intermediary, and one to permit lawful use. However, throughout, it has been a requirement that the copies should have no independent economic significance. The import of this last requirement on the operations of a network operator or service provider is not wholly clear, although the recitals appear to suggest the article permits acts enabling browsing or caching. For an intermediary who is concerned about his liability for transmitting copies that have been made in infringement of the rights of the copyright owner, the provisions of the E-commerce Directive remain at least as important (*see page 24*).

All other exceptions are optional. The amended proposal, like the original, contained a list of possible exceptions, but that list was intended to be exhaustive and member states were not to be permitted to go beyond it. That was felt too restrictive by many member states, and by the end not only had the list been greatly lengthened but a provision had been introduced allowing member states to retain existing analogue exceptions of minor importance that do not affect free circulation within the Community.

The Commission had accepted amendments from the Parliament under which various of the optional exceptions applying to private copying would be coupled with a requirement that the rightholder receives "fair compensation". This reflects an approach applied in many Continental countries under which the exclusive rights of the copyright owner are in principle absolute and such exceptions are seen as derogations that have to be paid for, normally in the form of a levy on media or equipment. This is not so surprising in the context of the private copying exceptions of Continental law, since those exceptions are not subject to the requirement for fairness that qualifies the UK exceptions of fair dealing. However, if "fair compensation" means levies, that would be very unwelcome to the UK. By the end of the year, the recitals made it clear that no obligation for payment might arise "in certain cases

where the prejudice to the rightholder would be minimal”, or if payment had already been made by another route, and there is probably enough scope for the UK, which regards its fair-dealing exceptions as much narrower than the Continental equivalent, to avoid imposing levies. It also appeared likely that there would be a Commission declaration that the recording of broadcasts for time-shifting need not lead to a requirement for payment.

The text does not appear to permit the UK to retain the full width of its fair-dealing exception for research, which at present permits research for commercial purposes. An exception would be permitted only for non-commercial research, thereby undoing the changes achieved by industry during the passage of the UK’s Copyright, Patents and Designs Act 1988. It needs to be remembered that the directive will apply to works in all forms, including conventional hard copies, despite the fact that the reference to the Information Society in the title would suggest that it applies just to copies in electronic form.

The directive is intended to lay the groundwork for the implementation by member states of the WIPO Copyright Treaty. One of the requirements of the treaty is to introduce legal protection for technical measures that reinforce copyright by preventing copying or other acts that infringe copyright. The provisions introduced into this directive to implement this requirement have proved one of the most contentious and difficult aspects of the directive. In the amended proposal Article 6.1 prohibits the act of circumventing such measures, while Article 6.2 prohibits the making or selling of devices to carry out such circumvention. The problem then is what happens when the copying or other act enabled by the circumvention is not itself unlawful, for instance because it is the exercise of an exception. Should it still be unlawful to circumvent? Content owners fear that any freedom to supply of circumventing devices ostensibly for legitimate purposes is likely to be abused and will be an excuse for piracy. Equipment manufacturers are ready to see technical measures protected if the ability to make unlimited copies is thereby prevented, because that reduces the likelihood of levies. On the other hand, they do expect to be able to allow their customers to make at least some private copies. The text seems to be tending towards a

requirement that technical protection should not exclude all ability to exercise an exception, with member states being required to ensure that such an ability is provided (by some unspecified means) if voluntary agreement between rightholders and equipment manufacturers fails to do so.

The interaction between technical protection and exceptions is particularly sensitive for computer programs, because a complete ban on overcoming technical protection would foreclose the ability to exercise the exceptions set out in the Software Directive that enable reverse engineering in certain circumstances needed to ensure that interoperable programs can be created. In the Software Directive there is already a provision giving legal protection to technical protection, but it does not prevent circumvention when needed to take advantage of the exceptions.

The Commission has consistently stated that the technical protection regime of the Copyright Directive does not apply to computer programs at all. While there was room in the amended text to argue that the technical protection regimes of the two instruments could apply simultaneously, it does appear that the recitals will be amended to exclude this reading. In fact, the Commission’s position is that computer programs are outside this directive altogether, which means they will not benefit from the mandatory exception of Article 5.1. That is understandable as far as the use of the program is concerned - there the Software Directive provides a complete code - but is strange in relation to the exception for copies made in the course of transmission. The operator’s liability will depend on the significance of the bits passing over his network, of which he will be completely unaware.

Copyright and Trade Marks Bill

In the United Kingdom (as mentioned above under Trade Marks), Lord McNally introduced a bill that would have increased the criminal sanctions for copyright infringement (*see page 9, left column*), as well as affecting other rights. The bill has been withdrawn, but the DTI has set up a forum which will be examining some of the same issues. ■

Several Fields of Intellectual Property

E-commerce Directive

In Europe the Council adopted its common position on the Directive on Electronic Commerce in February 2000, and the Parliament voted on 4 May 2000 to approve the common position, which therefore becomes the text of the Directive.

In the intellectual property field, the directive was little changed from earlier versions, the most relevant section being that on the liability of intermediary service providers for information carried by their service. The liability is horizontal in that it could arise for various types of wrong, but the most relevant ones for intellectual property are likely to be copyright or trade mark infringement.

The directive gives dispensations from liability for providers carrying out the following activities:

- acting as a mere conduit of information,
- caching material to save on transmission demands (a new added to the original proposal)
- hosting material for a customer.

The dispensation for caching requires the service provider to comply with certain industry-standard procedures for e.g. keeping the cached material up-to-date. The dispensation for hosting requires the provider to remove material where he is aware that the material is unlawful. In all cases, the directive leaves room for injunctions to have unlawful material removed despite the absence of liability. On the other hand, member states are not permitted to impose a requirement for providers to monitor the material or actively seek unlawful content.

The directive encourages the drawing up of voluntary codes of conduct to cover the liability provisions among others and the Parliament, in voting to approve the directive, called on the Commission to encourage the establishment of efficient notice and take-down procedures, that is the procedures to apply where a rightholder notifies an intermediary service provider of an infringement. ■

Taiwan

Intellectual Property Rights Arrangement

During the year, the TMPDF Council monitored and commented on a draft arrangement of co-operation on the mutual recognition of intellectual property rights, which was negotiated between the Taipei Representative Office in the United Kingdom and the British Trade and Cultural Office in Taipei. The Federation has long advocated that there should be mutual recognition of priority rights.

The arrangement was finally agreed and signed on 20 March 2000 and should apply to applications from that date. A natural or legal person who has filed an application for a patent or for the registration of an industrial design in the United Kingdom will enjoy a right of priority, in accordance with Article 4 of the Paris Convention, in Taiwan, while applications in Taiwan will be recognised for priority purposes in the U.K. Micro-organism deposits for patent purposes will be recognised in both territories. Appropriate patents will qualify under local rules for patent term extension up to 5 years in both territories. Taiwan is added to the list of convention countries for patents and designs by order in Council with effect from 24 May 2000.

Unfortunately, the arrangement does not apply to trade marks. The Patents Act 1977 and the Registered Designs Act 1949 both permit appropriate orders to be made with a view to the fulfilment of an international arrangement, without defining the parties to the arrangement. However, the Trade Marks Act 1994 specifically requires that *Her Majesty's Government* should be a party to any international arrangement for the reciprocal protection of trade marks. Since HMG does not recognise Taiwan as an independent state, it cannot itself be a party to an arrangement. ■

Judicial Arrangements

Litigation of Future Community Patents

A Draft Community Patent Regulation is still awaited from the Commission, although publication has now been promised for 6 July 2000. Whilst the Commission has declined to discuss the contents of the draft in advance of publication, an announcement by Commissioner Bolkestein in March 2000 indicated that the Commission has changed its mind over the First Instance forum for the litigation of Community Patents. The Commission is proposing amendment of the Rome Treaty to permit the establishment of 'autonomous specialist tribunals' of First and Second Instance that would hear IP cases and relieve the CFI and ECJ of this specific litigation. The Federation, through UNICE, has welcomed this change of attitude and is awaiting the publication of the Draft Regulation with more optimism than hitherto.

IP Court

The document setting out a proposal for specialist judges to handle non-Patent IP Cases, developed by the IP Court Users Committee, was forwarded to the Vice-Chancellor, Sir Richard Scott, in September 1999. A meeting with him to discuss the matter was subsequently arranged and took place in March 2000. Although the Federation representative, and others, pressed for a guarantee that non-Patent IP Cases

would always be assigned to Chancery Division judges having experience and background in the relevant fields, the Vice-Chancellor declined to offer such a guarantee. His principal reason for refusing to do so was that he did not wish the Chancery Division judges to become more formally specialised, as this would reduce the existing flexibility in the use of judicial resources, and could also be career-limiting. He was, however, agreeable to a closer liaison between the Chancery Division Listing Officer and practitioners to ensure that, whenever possible, judges having experience of non-Patent IP work could be assigned to such cases.

The Reform of Civil Justice

The principal changes to the Civil Justice system recommended by Lord Woolf came into effect in April 1999 and, since then, a series of consequential reforms have also been, or are being, introduced. Rules and Practice Directions in Appeals were the subject of a Consultation Paper issued by the Lord Chancellor's Department (LCD), to which the Federation provided input. As in the earlier LCD Consultation Papers on the Reform of the Court of Appeal, the principal concern of the Federation was the newly-imposed requirement that Leave must be obtained in Appeals from Decisions of Judges in the Patents Court, Patents County Court, and the Chancery Division. ■

Competition Laws

EC Competition Rules

In April last year the Commission issued a White Paper proposing reform of the arrangements for implementing Articles 81 and 82 of the EC Treaty (formerly Articles 85 and 86). The reforms have three elements: the abolition of the system of notification and exemption, to be replaced by a directly applicable exception system; decentralised application (by local courts) and intensified *ex post* control. It will be necessary in any event to replace some existing rules which expire at the end of December 2000.

About the same time, regulations applicable to vertical agreements were issued which not only provide a more user friendly regime but also consolidate the various block exemption systems applying to exclusive distribution, exclusive purchasing and franchising into one regulation, applying to firms whose market shares are not greater than 30%. Very extensive new guidelines have been prepared.

The Federation welcomes the improvements, but submitted comments urging an easing of the restricted length of agreements which might benefit, improving the protection governing supply of information and objecting to the market share test. However, these undesirable features have been maintained.

The Commission has recently proposed new rules applicable to horizontal co-operation agreements, which again are more user-friendly than existing arrangements.

UK Competition Act

In the UK, the Competition Act 1998 (noted in last year's *Trends & Events*) came into force on 1 March 2000. During the year, the Federation commented on penalties to be imposed under the Act and on the definitions in the draft implementing rules. ■

TMPDF Members

Members of the Federation include the following:

Acordis Ltd	IBM UK Ltd
Allied Domecq plc	IMI plc
ALSTOM UK Ltd	Imperial Chemical Industries PLC
Arjo Wiggins Appleton plc	Imperial Tobacco plc
AstraZeneca plc	International Computers Ltd
Aventis	Invensys plc
Babcock International Ltd	Knorr-Bremse Systems for Commercial Vehicles Ltd
BAE Systems plc	Kodak Ltd
Bass PLC	Lloyds TSB Bank plc
B G plc	Marconi plc
Black & Decker	Merck Sharp & Dohme Ltd
The BOC Group plc	Motorola Ltd
The Boots Company plc	NCR Limited
Borax Europe Ltd	Nestlé UK Ltd
BP Amoco plc	Nokia
British-American Tobacco Co Ltd	Nortel Networks plc
British Biotech Pharmaceuticals Ltd	Nycomed Amersham plc
British Telecommunications plc	Pfizer Ltd
BTG plc	PHILIPS
H P Bulmer Holdings plc	Pilkington plc
Cadbury Schweppes plc	Procter & Gamble Ltd
CarnaudMetalbox plc	Reckitt Benckiser plc
Celltech Therapeutics Ltd	Rolls Royce Motor Cars Ltd
Ciba Specialty Chemicals Ltd	Rolls-Royce plc
Coats Viyella plc	Rover Group Ltd
Compu-Mark (UK)	Shell International Ltd
Corning Communications Ltd	SmithKline Beecham plc
Dow Corning Ltd	Sony UK Ltd
Dyson Research Ltd	Tomkins plc
Eaton B.V.	TRW Automotive
Eli Lilly & Co Ltd	Tyco Electronics UK Limited
Exxon Chemical Ltd	Unilever plc
Ford of Europe Incorporated	United Distillers & Vintners (ER) Ltd
Gallaher Ltd	Wyeth Laboratories
Glaxo Wellcome plc	Xerox Ltd
Hewlett-Packard Ltd	

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