

TMPDF

Trade Marks Patents and Designs Federation

Trends & Events 2000/2001

Putting Industry's View on Intellectual Property since 1920

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 Union of Industrial and Employers' Confederations of Europe (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. It had a joint representative with the Chartered Institute of Patent Agents (CIPA) on the UK delegation to the Diplomatic Conference on Revision of the EPC in November 2000. The Federation maintains good contacts with parliamentarians both in Westminster and in the European Parliament.

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. A corresponding membership is 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

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Review of
Trends
& **Events**
in Intellectual Property
2000 - 2001

Putting Industry's View on Intellectual Property since 1920

Review of Trends & Events in Intellectual Property June 2000 - May 2001

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Introduction

Yet again the past year has been full of significant activity in the field of Intellectual Property (IP) that will have long and lasting consequences for IP practitioners and owners.

For example, the European Patent Litigation Protocol (EPLP), if agreed, will affect how IP litigation is handled throughout the Community and will force a reconsideration of the strategies employed by all IP owners and users. While progress has been made on the EPLP there is still a great deal of uncertainty about whether it will come into force. TMPDF will be actively involved in this issue as it develops.

The past year also saw the first major diplomatic conference to discuss changes to the European Patent Convention (EPC). TMPDF played a significant role in advising the UK government and we are proud that a member of the TMPDF Council was asked to be part of the UK delegation at the conference in Munich where the EPC revisions were discussed. The agreed changes to the EPC are generally along the lines urged by TMPDF and will help to make European IP an even more important asset.

There are a number of other significant issues that will carry over into the next year. Among these are the pressure for a grace period during which an application may be made for a patent on an invention which has already been made public, the ongoing revision of the EPC, the Community Patent, the Hague Convention, the implementation of the Designs and Copyright Directives and, importantly, international exhaustion of trade mark rights. This issue of **Trends & Events** will give you an update and an overview of what is happening on these and other important issues. The year ahead will be full of developments that those of us in industry must follow closely. I urge every TMPDF member to express their views on the key developments so that the positions we take truly reflect the position of industry.

As I end my term as president and prepare to pass the baton to other hands I'd like to share an observation. TMPDF plays an important role in getting the views of IP owners across to governmental decision makers. But we shouldn't lose sight of the importance of the views of the general public. I'm concerned that while we are making good progress with governments we may be losing with the public and, ultimately, that will hurt us.

My concern is based on: the recent South African decision on pharmaceuticals where legitimate patent rights were diluted in response to public pressure; the reaction to the Napster decision where copyright infringement was practiced on a grand scale and, when stopped by court order, the infringers felt wronged; the press reports holding business method patents up to ridicule where some of the more trivial business method patents were publicised and the whole patent system criticised; and the recent Festo decision which severely restricts the doctrine of equivalents in the US. Is there an anti-patent bias growing among the general public that will spill over into the judiciary and legislative branches? I don't know, but I am concerned that we are heading in that direction. I believe industry needs to watch developments in this area carefully and work hard to point out the stimulus to innovation and creativity that IP provides. It would be unfortunate to find that we've been able to reduce IP costs and speed litigation but that the strength and scope of IP have been curtailed for political reasons.

It has been my pleasure to serve as TMPDF's president for the last two years and I look forward to continuing my participation in TMPDF albeit at a less lofty level.

June 2001

John M. Pollaro
President

Patents

The Community Patent

Innovation is acknowledged to be a key element of economic and employment growth, hence it is to be very much welcomed that the European Commission has proposed to create by regulation a Community patent, as a step further towards completion of the Internal Market in the field of intellectual property.

The costs and legal uncertainty generated by the lack of an integrated European Community (EC) patent system are major hurdles standing in the way of innovation in Europe. European innovators, and in particular small and medium-size enterprises (SMEs), are at a competitive disadvantage compared with US and Japanese companies in their own markets in terms of patenting costs.

It is therefore pleasing to see the Commission proposal for a regulation to create a Community patent as a unitary title, granted for and valid in the whole territory of the EU, the aim of which is to create a cost-effective, centrally granted and uniformly litigated Community patent. This will facilitate the much needed transformation of European research results and technological and scientific European know-how towards commercial success.

A key aspect of the draft regulation deals with the translation requirements of the Community patent. These will have a direct impact on the cost of Community patents. The Commission proposal of following the language regime of the European Patent Convention (EPC), though not what the Federation would have preferred - which was English only and no translation - will provide for a considerable reduction in translation costs. The Federation therefore supports the Commission's proposal. If more onerous requirements are adopted, the Community patent will not be cost-effective, and not be used by SMEs.

Another key aspect concerns the enforcement of Community patents. Only an integrated Community court dealing with both infringement and validity at first and second instance and comprising patent law judges can guarantee legal certainty by providing unity of law, procedure and case law, and cut down litigation costs. This is needed to create the confidence in the integrity of the system needed to make it attractive to use. The current proposal meets both potential patentees' and infringers' needs in this respect and will reduce substantially the costs linked to the current need to litigate infringement and validity in each member state.

The proposed Community Intellectual Property Court would have been best established by way of an amendment to the EC Treaty and it is regretted that the Nice Summit was not able to approve a Treaty change in order to allow creation of such a Community court. However provision was made to enable the European Council to do so. It is very much to be hoped, on the basis of this mandate to the Council, that an agreement on creation of a Community Intellectual Property Court will be reached rapidly and that Member States will ensure rapid progress in this important matter, essential for the prosperity and economic stability of the EU.

It is also to be welcomed that the European Patent Convention will be the substantive law applicable for grant of the Community patent and that strong links will be created between the European and the Community patent systems.

Adoption of a Community patent that can encourage innovation was listed by the Lisbon Summit as a deliverable for 2001. It is very much desired that the EU will now transform the Lisbon declarations into action by supporting this proposal without altering the judicial and translation arrangements. By so doing, the Council would start building up a system that has the potential to provide European inventors with tools similar to those available to their main competitors in Japan or the USA.

There are of course other issues where there may be difficulties ahead, for example, keeping the applicant's options between national, European and Community patents; pre-expiry testing; exhaustion; rights after publication; jurisdiction over licences of rights and compulsory licences; compulsory licence grounds and conditions; restoration/restitution; supplementary protection certificates; invalidity only when there is a national prior right; litigation generally; limitation and amendment; injunctions, sanctions, appeals, prior user effects and periods of limitation. A thorough analysis of many such matters has been made by UNICE (the Union of Industrial and Employers' Confederations of Europe) on behalf of European industry as a whole. The Federation has made an extensive input to this analysis. It is hoped that in due course sensible solutions will be adopted. However the key to the success of the Community patent will be its attractiveness, adequacy for purpose and effectiveness and to achieve these aims reasonable cost and enforceability by a Community Intellectual Property Court are paramount. ■

Revision of European Patent Law

An historic diplomatic conference, the first to discuss and agree substantive amendments to the EPC since its inception, took place in Munich in November 2000. It will however be a number of years before the changes agreed enter into force.

The conference, chaired by the leader of the Swiss delegation, was attended by delegations of the twenty contracting states; the European Commission; twelve (mainly Eastern European) observer states; the World Intellectual Property Organisation (WIPO); and eleven user groups. A number of individuals connected with TMPDF attended in various capacities, including Sue Scott who, representing TMPDF and the Chartered Institute of Patent Agents (CIPA), was part of the official UK Government delegation.

The following key changes were agreed:

1. Wording from the World Trade Organisation (WTO) Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) will be incorporated into Article 52(1), which will now read: 'European patents shall be granted for any inventions, in all fields of technology, provided that they are new, involve an inventive step and are susceptible of industrial application.'

2. Second medical use claims will be expressly patentable under new Article 54(5). The present provisions on first medical use will remain unchanged.

3. Equivalents will be taken into account in assessing infringement of European patents under the Protocol to Article 69. Proposals to incorporate the doctrine of file wrapper estoppel into the EPC were not adopted.

4. New Article 105(a) allows patentees to request limitation or revocation of patents centrally at any time during the life of a patent.

5. Further processing under Article 121 will be available in respect of a wider range of situations.

Contrary to expectations prior to the Conference, programs for computers will, at least for the time being, remain as an exclusion in Article 52(2), for political reasons connected with the Commission consultation on the patentability of software (see page 9).

In addition to the key substantive changes, many provisions have been switched from the convention itself to the implementing regulations and many administrative changes have been made, as a result of which a complete overhaul of the implementing regulations will be required.

It is hoped that a further diplomatic conference will be held, although timing is uncertain and initial hopes that this would be during 2001 may be unrealistic. At that conference, a number of issues such as computer software and business methods, which were expressly

left over for a second basket of measures, will be discussed.

The European Patent Office is currently working to finalise the new text of the Convention, and this is expected to be settled by June. However, work on the new implementing regulations will take much longer. A tentative timetable expects a draft to be available by the end of 2001, with adoption by the Administrative Council of the European Patent Organisation (EPO) of the changes by the end of 2002.

Each contracting state of EPC must ratify the changes agreed. The agreed amendments to EPC will come into force two years after the fifteenth contracting state deposits its instrument of ratification, or three months after the final member state deposits its instrument of ratification, if that is earlier. We could be in for a long wait. In addition, transition provisions will require close study in the intervening period. ■

Cost Reduction for European Patents

An Working Party on Cost Reduction within EPC was created by an Intergovernmental Conference (IGC) in 1999 with the objective of making proposals which would reduce the cost of obtaining European patents by 50%. The work of this Working Party was presented to a Ministerial meeting of the IGC in London in October 2000.

The main proposal is the adoption by contracting states of the EPC of an Optional Agreement on Translations. The key points of this agreement are:

- It will be optional - each member state can decide whether or not to adopt the agreement.
- States that have English, French or German as a national language will not require a translation of the description of a European patent on grant.
- States not having English, French or German as a national language will not require a translation into their national language of the description of a European patent on grant provided that the description is supplied in one of the official languages of EPC as specified by that state. In practice, this is likely to mean that a state will not require a translation into its national language if an English translation is available.
- Any state may continue to require that the claims of the patent be translated into its national language.

Eight contracting states including the UK and Germany but not France signed the agreement at the Ministerial Conference. The agreement will only enter into force after it is ratified by eight contracting states, including all of the UK, Germany and France. The UK and Germany are willing to ratify, but the position of France is sensitive, with political problems which may be difficult to solve. ■

Patent Litigation in Europe

Whilst detailed work on the European Patent Litigation Protocol (EPLP) has proceeded during the year, its implementation remains uncertain.

Several meetings of the Working Party on Litigation (WPL), established by the IGC of June 1999, took place during the period under review and these served to firm up the basis of an Outline Protocol published in early 2000. However these meetings also served to emphasise the different attitudes amongst EPC contracting states towards the concept of a First Instance European Patents Court that would assume jurisdiction for all validity and infringement disputes involving European patents. Switzerland, the UK, the Netherlands and Sweden supported the EPLP concept, whilst Germany, Austria, Spain, Portugal and Italy were opposed and France and Belgium were undecided.

The WPL reported on progress to the IGC when the latter reconvened in London in October 2000, at which time the IGC agreed that the mandate of the WPL should be extended for a further 12 months to enable differences between the EPC contracting states to be resolved. Thereupon, the WPL commissioned Mr Jan Willems, a former Netherlands patents judge, to prepare a detailed proposal for an EPLP, based on the Outline Protocol, for further study and discussion. At the same meeting, the German delegation to the IGC requested that an alternative proposal for the EPLP, based on the retention of national courts as the first-instance fora, be prepared for consideration by the EPC contracting states. and put forward Drs Jurgen Schade and Jochen Pagenberg as the experts to undertake this task.

Thus, two “First” proposals for an EPLP were published at the end of February 2001 and are now being studied carefully by governments and the interested circles. The Federation has already submitted preliminary comments on both proposals to the UK Government and to UNICE. However, the issues are complex and the Federation intends to comment further after it has had time to consider the two proposals in more detail.

However, the implementation of the EPLP in either of its proposed forms has been thrown into doubt by the adoption in December 2000 of EC Regulation No. 44/2001 on Jurisdiction and the Recognition and Enforcement of Judgements in Civil and Commercial Matters, which is discussed below (see page 20). In essence, the adoption of this regulation appears to

have removed the power of EU member states to enter into agreements such as the EPLP without at least the concurrence of the Commission.

Nevertheless, it is hoped that any work carried out on the structure and procedure of the court system for the proposed EPLP would be of value in the court system and procedure that would be required under the proposed Community Patent Regulation. ■

► *Also see the section on **Jurisdiction** on pages 20-21.*

Patent Law Harmonisation

Patent Law Treaty

A diplomatic conference to agree the Patent Law Treaty was held by WIPO in Geneva between 11 May and 2 June 2000. During the preparatory work leading up to the conference, the Federation submitted comments on the draft provisions. The purpose of the treaty is to harmonise the formal and procedural requirements governing applications for patents.

The treaty includes provisions on: the allocation of a filing date to an application on the basis of a minimum of requirements, i.e., a request, the identity of the applicant, a part appearing to be a description (with the facility to replace the description by a reference to an earlier application); ensuring that the form and content of an application correspond with the requirements of the Patent Cooperation Treaty (PCT); the rules governing representation, with no compulsion to use a representative to file an application or copies of earlier applications or to pay fees; communications, addresses and notifications; the validity of a patent not to be affected by failure to comply with formal requirements; no revocation without a hearing; relief on time limits; reinstatement of rights; correction of priority claims and restoration of priority rights.

On the face of it, this will be a useful harmonising treaty, if a substantial number of states ratifies it. Unfortunately, both the treaty and, more especially, the extensive regulations accompanying it, permit the contracting states to make many subsidiary conditions of their own and to adopt differing time periods for similar actions (within limits established in the regulations). Thus its impact on harmonisation may be rather limited.

The treaty will enter into force when it has been ratified or acceded to by ten states.

Substantive Patent Law Harmonisation

The Federation has repeatedly urged that efforts to establish an international treaty on the substantive provisions of patent law, which were suspended following an unsuccessful diplomatic conference held for this purpose at The Hague in 1991, should be resumed.

In the second half of year 2000, the International Bureau of WIPO (the IB) proposed that work on “the further development of patent law” should be undertaken. The member states agreed to discuss a draft proposal for a treaty, prepared by the IB, at the meeting of the WIPO Permanent Committee on Patent Law in May 2001. The IB proposal, which was issued in February 2001, includes a substantial number of provisions based on the 1991 work. These concern, *inter alia*: the contents of applications; unity of invention; definition of prior art (see below); disclosure and claims, including scope of protection (see below); substantive conditions of patentability, (novelty, industrial applicability, inventive step); amendment and correction; and remedies against rejection or refusal. Parties to the new treaty will also be expected to comply with the Patent Law Treaty (see above); thus the treaty does not deal with filing date and other formal or procedural matters.

Compared with the 1991 treaty, a number of issues have been omitted. Some of these, such as the nature of the patent right and the maximum duration of the patent, now appear in the TRIPS Agreement. However, it is clear that some issues, such as whether the right in the patent should belong to the first to file or the rights of prior users, have been thought to be too controversial. On the other hand, controversial issues such as the exclusion of the applicant’s own disclosures from the prior art (grace period); the whole contents of prior filed but later published applications to be considered against novelty; and the interpretation of claims in accordance with a doctrine of equivalents based on obviousness at the time of infringement, have been included.

The Federation has submitted extensive comments on the draft. We have welcomed the resumption of negotiations and urged that they should be expeditious. They should aim to establish a comprehensive treaty. Certain matters covered in TRIPS should be developed, e.g., the rights conferred should cover indirect infringement and there should be restrictions on the possibilities for compulsory licensing. Some of the issues omitted from the 1991 treaty should be restored, e.g., the rights should belong to the first inventor to file, the application should be published 18 months from priority, and there should be prior user rights. We have also repeated our well-known objections to a lengthy, unsafe and unsafeguarded, grace period and to an unreasonable doctrine of equivalents.

Patent Cooperation Treaty (PCT)

In July 2000, the United States submitted proposals for the reform of the PCT. A two-part reform process was suggested. In the first of these (within the next 5 years), the existing PCT procedures would be revised so as to: bring them fully into conformity with the Patent Law Treaty; eliminate the concepts of designations and demands; subject all applications to international preliminary examination; streamline the formalities review, the handling of applications and the transfer of information; make multiple searches and examinations available; eliminate residency and nationality requirements; and defer national stage entry beyond thirty months. In a later, second part, the existing search and examination authorities would be regionalised, the distinction between national and international applications would be abolished and there would be further flexibilities for national stage processing. It has been agreed that discussion of these proposals is to begin in May 2001.

The Federation has welcomed the proposal to reform the PCT and has agreed with most of the US proposals. We have not agreed that the benefits of the treaty should be available to all, irrespective of the membership of the country of nationality or residence, or that the time for entry to the national phase should be substantially increased. While we agree that applications should proceed automatically to preliminary examination, we consider that applicants should be given the opportunity to opt out of the procedure. ■

Software Patentability

Two decisions in 1999 by the Court of Justice of the European Communities (ECJ), on IBM cases T-935/97 and T-1173/97, which for the first time allowed claims to computer programs *per se*, surprised some people, given the apparent exclusion of Article 52(2) EPC. The UK Patent Office rapidly indicated that they would also allow such claims, but the French and German offices have been more cautious. Early in 2000, the European Commission, continuing the follow-up activity to their Green Paper on the patent system in Europe, indicated that they were planning to issue a harmonisation directive on software inventions, addressing this apparent legal discrepancy. However, this stalled due to internal divisions within the Commission between different directorates, some of whom were influenced by the Open Source movement to take an anti-software patent stance. The focus of attention therefore switched to the EPC revision conference in November

2000. Although it was part of the basic proposal to remove the computer program exclusion from Article 52(2), this was not adopted by the conference to allow further consideration, although the need for action was recognised. At the same time, the Commission ran a consultation exercise on both software and business method patents, and the UK Patent Office ran one in parallel.

The UK Government authorities have now come out with an excellent position close to that of TMPDF (basically against pure business method patents, but in favour of patents for software technology). Again, however, the position in France and Germany is less certain, and the Commission appears to be still at the same impasse. Thus the prospects for a harmonisation directive are presently unclear.

The most important ECJ decision of the year is from September 2000 - T-931/95 (pension scheme). This is somewhat controversial; it held that a pension scheme implemented on a computer is allowable subject matter because of the computer, but that there could be no inventive step because pension activity is financial, not technical.

Grace Period

Whether European patent laws should provide for a grace period, during which an inventor who has made the invention public may still file a patent application, has been under discussion for some years. The conclusion at a European Commission hearing on the issue held in October 1998 was that it is essential to consider the grace period only in an international context. WIPO is the right forum to consider it and it is very difficult to manage the grace period if the main countries abroad do not have harmonised rules. Since then the European Parliament has discussed the grace period but rejected the proposal before it, the European Patent Office has sought the (as expected contrary) opinions of experts (Dr Galama and Professor Straus of the Max Planck Institute) and the French made a suggestion to run the 18 month period before publication of patent applications from the date of any pre-publication claiming grace, a suggestion which was not taken up. It now seems that the grace period issue is about to make another reappearance.

A grace period in a first to file system suffers from a large number of disadvantages¹. The following are the main objections:

¹ See the papers by TMPDF and Vernon Parker in: CIPA Journal, Vol. 28 No. 4 (April 1999), pp. 306-315; and comments by TMPDF in *epi information* 4/1999.

A grace period endangers the rights of the inventor who publishes. Although a grace period in Europe would protect against the inventor's own publication, it leads to several traps:

1. Loss of rights abroad where there is no grace period and even in USA and Japan because the grace period is counted from filing there and not from the Paris Convention priority date.
2. Publication of the same or related material by a third party leads to complex legal problems regarding ownership and independence - which party possessed what and when, in effect who was the first to invent and was all the material to be graced derived from the proper inventor(s).
3. Unless the grace publication counts under US law as a printed publication, the publishing inventor may find he has spurred an American into filing in the US and thereby lose his freedom to exploit his invention there.
4. Loss of rights to broad protection. What happens to improvements and developments of the invention disclosed in the graced disclosure? Even if grace extends to all obvious variants it can in any case only extend up to the end of the grace period. After that any broader claims will lack inventive step (see decision G03/93 of the Enlarged Board of Appeal of the European Patent Office). Usually publications claiming grace will be more specific than the claims in the corresponding patent application.

A grace period is a danger to the public and industry generally.

It will not be possible to know whether published material is really in the public domain free for use until 30 months after the publication. Even then it may be difficult to establish the connection between the publication and a patent application. Someone connected with the publication may file a patent application towards the end of the 30 month period. If the publication spurs defensive filings it can be difficult to resolve "who owns what". Since third parties may not be able to link a patent application with a graced publication it is essential that grace is claimed on filing. Also, was all the information in it derived from the inventor?

It fosters uncertainty for inventors and industry about the legal position of their own inventions.

After filing a patent application, instead of waiting the present 18 months, it will not be possible to make investment decisions until 30 months after filing in case there is another person's graced application in the pipeline. Also, if a corresponding patent application is published, again was all the information in the graced publication derived from the inventor?

A grace period is not proportional to the needs of nearly all users of the patent system.

To cater for the needs of a few tens of inventors who were not advised or ill advised a good patent system will be spoiled. The introduction of massive legal uncertainty for the public generally cannot be outweighed by the advantages received by the ill-advised few. The result of legal insecurity will be to impede investment decisions and make it likely that investment in technological innovation by European companies will be seriously prejudiced.

A grace period system only makes sense if it gives broad geographical coverage. It must extend to the rest of the world and be a harmonised system not least because of the Internet. At present, the possibility to claim benefit of a grace period internationally does not exist, even where the national system has a grace period. This has serious consequences for the European Union. It makes little sense to pursue unilateral European patent law harmonisation on grace period.

If a grace period has to be adopted to achieve world patent law harmonisation, it is essential that the first to file system be supported by measures to adapt it with the minimum of damage:

1. Any grace period must be short (3 months) to reduce legal uncertainty.
2. The benefit of the grace period must be claimed before first publication of the corresponding patent application. Otherwise there will be belated "submarine" claims to grace and long periods of legal uncertainty.
3. The onus must be on the patent applicant claiming the benefit of the grace period to prove that the author of the graced publication was the inventor or his successor in title, and that all the relevant information in it was acquired only from the inventor(s). Any relevant information not acquired from the inventor or his successor in title and published during the grace period, even when associated with information derived from the inventor is prejudicial.
4. Priority must not be derived from the graced publication. This would lead to a first to publish system which would be unbalanced in favour of those who make use of graced pre-publications. The corresponding patent application would be relatively immune from attack on the basis of later prior art, other applicants would find it harder to obtain rights and the right to stop others using the invention would in effect stem from the graced publication.
5. Anyone making use of the published information in good faith before the filing date of the corresponding patent application should be free to continue to do so and prior user rights should be internationally recognised and harmonised.
6. It is essential to deal with the problems arising when the claims in the corresponding patent application are broader than the disclosure in the graced

publication. Should the Enlarged Board decision G03/93 be maintained or scrapped? What happens regarding the content of a graced publication that are not covered by the later claims? What happens when content was not derived from the inventor(s)? What is the position when information in the patent application is additional to or different from that in the graced publication, especially where the graced publication is insufficient to support the claims.

7. If inventors are encouraged to file provisional applications rather than rely on a grace period, again what about decision G03/93?

8. It is essential to study the requirements for grace in relation to those for priority bearing in mind that "grace" will be largely ineffective if it does not extend to obvious variants while under the EPC priority is based on disclosure. Will the regime for priority have to be changed? If the regimes are different what will be the consequences? Will there be situations in which applicants cannot use the Paris Convention or internal priority?

9. Measures will be needed to determine the admissibility as prior art of publications made during the grace period by unrelated third parties, including "whole contents" prior art as well as prior use in good faith. It will be essential to determine the effect of a publication by an unrelated third party after a graced publication but before the corresponding patent application is made which extends or develops the invention or contains different material which bears on patentability, eg on inventive step.

10. What is the position of a competitor who puts the information in a graced publication to use before the filing date of the corresponding patent application? Is there a difference between cases where the same information is used and cases where the information is closely related but different, or involves information necessary for enablement?

11. A grace period recognised by only a limited number of countries will be dangerous to those who attempt to take advantage of it. It will be even more dangerous if the rules governing it are not universal. It should only be introduced as part of global harmonisation involving a large number of countries, including not only those in Europe but also at least, the United States, Canada, Japan and other major trading countries in Latin America, Asia and the Pacific.

A unilateral European grace period would be a disaster. The best grace period at present is no grace period. If in the international context there has to be a grace period the above requirements must be met. The complexity of the system then required is remarkable. Will the resulting legal uncertainty then be reasonably acceptable and will the resulting grace period be fair to the majority of users? ■

Biotechnology

European Biotech Patents Directive

National implementation of the EC Directive on the Protection of Biotechnological Inventions has proceeded slowly over the last year. The UK implementation is now complete except for Article 12 (compulsory licensing for plants) which poses some difficulties. The only other countries which have completed implementation are Denmark, Finland and Ireland. The remaining states are unlikely to have sanctions imposed against them by the Commission providing implementation is eventually achieved by about 2002/3.

Progress towards implementation in the remaining states is at best slow. In France, an official pronouncement last month indicated that the directive will be implemented save for Article 5 (concerning human genes). In Germany the government has rejected many of the proposals of the Bundesrat and has conveyed its position to the Bundestag. Opposition to further progress is likely. In Italy further progress is unlikely ahead of the forthcoming national elections. The implementing regulations of the EPC have been amended to ensure consistency with the directive. It remains to be seen whether a proposal to amend the articles of the EPC in the same way will be put into a "second basket" at a further diplomatic conference on revision of the EPC. A Dutch challenge to the Directive was heard in the ECJ on 13 February this year. The next step in the proceedings is for the Advocate General to provide an opinion, following which the ECJ will give their judgement.

The European Commission circulated a questionnaire on the impact of the Biotechnology Directive on the publication of research results, an obligation set by the directive, albeit only implemented by a few countries. The TMPDF Council had grave concerns that the questionnaire was in fact an attempt to gather evidence in support of the introduction of a grace period into European patent law, a concern shared by the Association of the British Pharmaceutical Industry (ABPI), the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the European Chemical Industry Council (CEFIC), and appropriate representations have been made to UK Government and the Commission.

Biodiversity

Increasing debate is taking place on the ownership and exploitation of patent rights on inventions using genetic resources, including those arising from analysis of patient samples. WIPO has issued papers on IP and Genetic Resources and IP and Traditional

Knowledge which appear to give no cause for concern. The Patent Law Treaty (PLT) had been finalised without the Colombian proposals for indications of origin of genetic material being included, although the PLT discussions have had an impact on the EPC revision agenda.

An EC draft communication on the relationship between the Convention on Biological Diversity (CBD) and TRIPS included a proposal for disclosure of origin. The European Commission's Directorate-General for Trade issued an informal discussion paper on The Non-Trade Impacts of Trade Policy. This was from different Directorate-General than the draft communication on CBD/TRIPS and used stronger language on disclosure of origin.

A regulation by the Chinese Government on Interim Measures for the Administration of Human Genetic Resources provided for IP sharing on China-derived human genetic based inventions. A CEFIC paper on traditional knowledge proposed to institute a register of traditional knowledge. The practical problems are legion and the CEFIC paper admitted that it would take years to negotiate an acceptable solution in WIPO, but that it was essential that the matter be kept outside of the patent system.

Bioethical Initiatives

A number of working groups are in existence although none have yet reported:

Nuffield Council on Bioethics – Roundtable group on 'The ethics of patenting DNA and proteins': Industry is not represented on this group, which includes the Hon. Mr Justice Jacob and Professor Straus of the Max Planck Institute.

WIPO Biotech Working Group: No report has issued yet on the first meeting in November 1999. Again Professor Straus is a member.

UNESCO International Bioethics Committee Symposium on IP and Genomics and the Desirability of a Legal Framework: No reports have appeared on this symposium. ■

Patent Practice Working Group

The working group meets quarterly to review patent related issues and developments, and is attended by the Patent Office, CIPA, the International Federation of Intellectual Property Practitioners (FICPI) and TMPDF. Meetings were held on 11 July 2000, 10 October 2000, 24 January 2001 and 26 April 2001. The Group is going to be publicised on the Patent Office's website. Discussions and review items have varied and included a number of small administrative

points, questions of rule changes and their impact, consideration of future trends in the profession and the patent systems (both legal and technological) and their impact on the activities of the Patent Office. Specific issues with high visibility at the meetings included:

- Consolidation of the Patents Rules. A draft has been prepared for by the Patent Office and is being reviewed. It was pointed out that an electronic version, considered for posting on the web site, could not be considered as an official version.
- Electronic filing of European patent applications (via EPOLine) was slower than expected, but a demonstration was organised in February 2001. The Patent Office wanted to be involved from the beginning.
- A discussion paper from the Patent Office with proposals for meeting the future touched on topics

such as use of international searches in British examination of patent applications; shortening the examination procedure; supporting small inventors in a different way. The topics are continually being reviewed, in order to find way to help the Office meet its targets.

Other matters which are in various stages of resolution included:

- Review of grant certificates for patents and designs;
- Wording used on the register relating to assignments;
- Office communication by e-mail, including the possibility of including examination reports in such communications;
- The question of defensive publication by the Office;
- Proposed changes in rules;
- Review of international matters (harmonisation, PCT changes, EPC provisions). ■

Trade Marks

Internet

ICANN

A year ago the Internet Corporation for Assigned Names and Number (ICANN) was newly established. However it is now fully recognised as the ultimate agency governing most of the intricate structure which goes towards making the Internet workable - even though the US Government is still responsible for several functions which it has not yet handed over to ICANN. While the so-called “.com” companies have faltered, ICANN continues to make good progress, issuing a steady stream of decisions, even though it still has its critics.

ICANN held four meetings during the year under review, in Cairo in March 2000, Yokohama in July 2000, Marina del Rey in November 2000, and in Melbourne in March 2001. Most of the initial and interim Board of Directors have now been replaced by elected representatives, and only 4 will survive until November 2002. Esther Dyson was replaced as Chairman by Vint Cerf. There are now 9 Directors elected by the 3 Supporting Organisations and 5 more were chosen during the year by the At-Large membership in an election held in July 2000, one coming from each of the geographical areas of which ICANN's world is made up. When it started signing up At-Large members in February 2000, ICANN

expected only some few thousand to do so, and when some 158,000 took the opportunity, it came as a pleasant surprise, albeit giving rise to some logistical and bureaucratic headaches.

ICANN is still operating on a shoestring budget as it has yet to receive all of its income previously promised by a number of Internet organisations and corporations.

In January 2001, Mike Roberts was replaced as President and CEO by Dr. M. Stuart Lynn after a globally conducted head-hunting exercise.

New Top Level Domains

At its Yokohama meeting the ICANN Board passed a resolution to adopt an unspecified number of new Top Level Domains (TLDs) in order to relieve the alleged pressure on the three existing TLDs of .com, .net, and .org. In August 2000 it called for applications from organisations interested in operating the new TLDs, and on November 16, 2000 ICANN announced that it had approved seven new TLDs out of the 40 or so applications it had received. These, promptly dubbed “the magnificent seven”, are: .aero, .biz, .coop, .info, .museum, .name, and .pro. As of April 2001, their sponsors are all still negotiating their final contracts with ICANN. In some cases, these negotiations may even prove abortive and there is nothing to say that more TLDs will not be approved in the future.

Three of the magnificent seven (.biz, .info, and .name,) are “open” and unrestricted, while the other four are “chartered”: registration in them will be open only to persons, organisations or bodies meeting certain criteria.

Cybersquatting in the three new ‘open’ TLDs will obviously be a problem for trade mark owners, bearing in mind the problems which they have encountered in the existing TLDs. The Intellectual Property Constituency (IPC) of the Domain Name Supporting Organisation (DNSO), of which the Federation is a member, has been extremely active, both before the seven new TLDs were named and subsequently, endeavouring to ensure that trade mark rights will be properly protected, especially in the “land-rush” period immediately following the opening up of a new TLD.

Intellectual Property Constituency

The IPC held new elections in October 2000 for its officers, at which time David Tatham, a Federation Vice-President, elected not to stand again as Vice-President of the IPC.

Dispute Resolution

ICANN’s Universal Dispute Resolution Procedure (UDRP) continued to prove a popular way for trade mark owners to seek retribution and to resolve actual or potential disputes with cybersquatters. In its first year of operation, ending in January 2001, the UDRP had dealt with over 2,500 disputes and the flow continued unabated into the new year.

With so many UDRP decisions published, a pattern is now being established for what constitutes “bad faith” and it is clear that the UDRP is not a universal panacea or suitable for every case of cybersquatting.

.eu

The European Commission continues to press ahead with its plans to introduce .eu as its own country-code Top Level Domain (ccTLD), especially for corporations, firms, businesses, organisations and associations in Europe. In December 2000, a draft Regulation was published under which a Registry will be established to run the new ccTLD. This is currently making its progress through the European Parliament and other legislative bodies. Precise details are still somewhat unclear, but at least the current proposals include comprehensive measures for the protection of existing trade marks.

Nominet UK

Nominet is the not-for-profit organisation which registers domain names in the .uk ccTLD. In March 2001, Nominet announced some proposals for a radical overhaul of its own type of dispute resolution procedure. In many ways, this will mirror ICANN’s UDRP but it will retain a mediation element to which Nominet has always attached great importance. At the time of writing Nominet’s proposals are just that, but it is hoped that they can be finalised and introduced in the autumn of 2001. ■

The Community Trade Mark Office (OHIM)

The OHIM has continued to make strong and steady progress in the past year. While the pace of applications for Community trade marks (CTMs) continues to accelerate, so does the number of decisions, all of which lead to a better understanding of the system.

The number of new filings continues to increase, as the following figures show –

1996	43,010
1997	27,238
1998	31,491
1999	41,242
2000	57,273

On 30 September 2000, the first President of the Office, Mr Jean-Claude Combaldieu, retired after 5 years. His inspired leadership has contributed in no small way to the success of the Office, as well as the high regard in which it is held and its increasing popularity – as the above figures demonstrate. The incoming President is Mr. Wubbo de Boer, who has been appointed for 5 years. He comes from the Ministry of Economic Affairs in the Netherlands, where he gained his experience of trade mark matters.

In July 2000, the majority of the staff at the Office moved into a brand new purpose-built building in the Agua Amarga area, which lies to the south of the city of Alicante. The new building is 40,000 square meters in size and is equipped with the very latest internal telecommunications network. However, with over 600 persons already working in the Office, and a figure of 700-800 planned for 2001, even this new building is not big enough, and the three original buildings in the city of Alicante have been retained for the time being for use by certain departments of the Office. A decision has already been taken to commence the construction of Phase 2 of the new building in 2002. At the current rate of progress and

with the soon-to-be-introduced Community Design, a Phase 3 seems a foregone conclusion.

The number of appeals against Office decisions has been steadily increasing. There were 1,132 filed between 1996-1999, but 1,115 in 2000 alone. As a result of this increasing workload, the members of the Boards have been pressing for assistance, and a 4th Board of Appeal was instituted on 1 November 2000. Following the decision by the Board of Appeal in the Giacomelli case, and after extensive consultations, the Office has decided to accept CTM applications for 'retail services' in Class 35. Whilst it will accept these without any limitation as to the retailer's field of activity, it has said that such an indication would, nevertheless, be desirable. A communication from the President on the subject was issued on March 12, 2001 and the new practice commenced from that date. The Harmonisation Directive, the Community Trade Mark Regulation (CTMR), and its Rules are all still in their infancy, having been in operation for only four years. Every new decision by the Office, by the Boards of Appeal, or by the European Court of Justice in Luxembourg therefore helps to throw more light on their meaning. In addition there is now a steady stream of referrals to the Court of First Instance in Luxembourg from decisions by the Boards of Appeal in Alicante. ■

The Debate on Searching

United Kingdom

Prior to the passing of the Trade Marks Act in the UK in 1994, there was much discussion and debate as to whether the practice should be retained of conducting a search of all new applications and issuing an *ex officio* refusal if this revealed an earlier confusingly similar mark. Two schools of thought emerged. On the one hand there were the proponents for the status quo, who liked the security which the system gave. However the TPDF aligned itself with those who were championing a regime under which there would be no official search and refusal.

Both groups held very strong views, and neither could convince the other – or the officials at the Patent Office, who were responsible for the Bill that eventually became the 1994 Act – of their case. As a result the official search and the *ex officio* refusal were maintained but, as a compromise, Section 8 was written into the Act under which the Secretary of State may, if it is deemed to be appropriate, make an

order to provide that the provision enabling *ex officio* refusal of a trade mark application on relative grounds as a result of the official search should be revoked. However, he may not do so until at least 10 years has passed since it first became possible to file a Community trade mark application.

The period referred to in Section 8 will expire on 1 January 2006, but the Patent Office recently announced that it intends to look at the whole process of official search and refusal now, and has set in train a widespread review process. It believes that the Regulation Reform Bill (when passed) will provide the opportunity for advancing this date. A number of public meetings have been held, and several options for the way ahead are being proposed –

- Maintain the status quo;
- Abandon the search altogether;
- Adopt something akin to the CTM system in which searches are conducted for information only;
- Adopt the CTM system as above, but inform the owners of all the earlier rights disclosed by the search about the existence of the later mark.

The Federation remains of the view that an official examination on relative grounds and a subsequent refusal is unnecessary. Most applicants will have already done a search prior to filing their trade mark and this will have covered much more than just the United Kingdom Trade Marks Register. It will probably have included Community trade marks, International trade marks, non-registered marks, and domain names. It therefore makes little sense for a trade mark application to be refused because there exists, on the UK Register, a mark which may not even be in use or, if used, may be used for something completely different, but which an examiner of the UK Patent Office nonetheless has to cite because it is on the face of it confusingly similar.

However we appreciate that there are those – especially SMEs and those trading only in the UK – who rely on the Patent Office to 'protect' their trade mark rights by subsequently refusing later, similar applications. In our view this overlooks the cheapness of a 'watching' service, but nevertheless in a paper submitted to the Standing Advisory Committee on Industrial Property (SACIP) in September 1999, and discussed by that body in January 2000, the Federation suggested that the Office should introduce an option, under which those who had no need of an official search could indicate this when applying, while the others would get their search done by the Office (but not formally refused) and pay a little more for the privilege.

The proponents of the status quo argue that the UK system delivers a Register which is strong, pure and

reliable, but in our view this overlooks the fact that the owner of a trade mark which is refused by the Office on relative grounds can still use it, while of course the increasing use and popularity of the Community Trade Mark system means that there are a growing number of trade marks which are valid in the UK and which have not been subjected to the same rigorous searching regime as a mark applied for only in the UK.

Community

2001 marks the fifth year after the introduction of the CTMR and the opening of the OHIM in Alicante. It is thus the trigger for a review of the searching system operated under Article 39 of the Regulation. This was always considered to be a compromise - between the same two schools of thought as in the UK which are described above.

It is clear to most observers that the CTMR compromise has not been a success. It involves two different stages. The first is a prior search of the registers in all but three of the EU member states, the results of which are communicated to an applicant who can maintain the application, or amend the list of goods or services, or withdraw it as a result. Since the

missing search countries are among the most important from an industrial point of view, namely France, Germany and Italy, and now that Ireland too has temporarily 'suspended' its search, the results of this search can never be a complete check. Also the printed results from the searching countries are not presented in the same fashion, and omit certain important details, so they have proved in the event to be universally ignored by applicants.

The second search is also purely informative and involves the Office in Alicante making a search among earlier CTMs and communicating the results both to the applicant and to the owners of the 'cited' marks. This too has proved not to be very popular.

The European Commission has already called for comments on the working of the present searching system, and the Federation has aligned itself firmly behind UNICE in calling either for a complete abolition of the present arrangements or, if this proves politically impossible, for both types of search to be made purely voluntary - at the option of the applicant. Thus, both the fans of an official search and its opponents can be satisfied. Also, those EU member states which are currently able to profit from the fee of €25 which they receive for each search undertaken will continue to be able to receive an income from this source. ■

Designs

Community Designs Regulation

The Council has reached political agreement on the proposal for the Community Designs Regulation on everything except one point, the language regime for the Community Design Office, where some smaller countries are unhappy that their language will not be available to their applicants. The Regulation will allow applications for a Community-wide design registration to be made to the Community Design Office at Alicante, where the job will be done by the Office for the Harmonisation of the Internal Market, OHIM, which is already responsible for Community trade mark applications. There will also be a short-term unregistered Community design right for all eligible designs.

Thankfully, moves in the European Parliament to depart from the regime set out in the EC Designs

Directive were abandoned, and the regulation now follows the substantive provisions of the directive. In brief, a "design" will be protectable without limitation to any specific product to which it is to be applied (though the intended product must be indicated) but protection will be for visible parts only and subject to a must-fit exception. The standard a design must meet to be protectable is that it should be "new" and have "individual character", but there is no requirement for eye-appeal as such. Newness and individual character get their own subsidiary definitions, and their precise scope remains to be explored in the future.

As usual, the issue of spare parts was not easy to resolve. The Designs Directive imposed the so-called "freeze-plus" solution under which, for the present, member states are prevented from changing their existing law on spare parts except in such a way as to liberalise the market in such parts. Meanwhile, the Commission is required to continue working on proposing a harmonised law on spare parts that can be ap-

plied throughout the Community. For the Community design, there is no existing law, and originally such parts were to be unregistrable. Now, designs for component parts are to be registrable, but unenforceable against manufacture or supply for repair purposes. That leaves the aftermarket free but ensures (it appears) that the designs are enforceable against original equipment manufacturers. This is a solution that the Federation supports.

The registrability of spare parts comes as some relief to OHIM, because it absolves them from the need to examine for that aspect - and neither do they seem averse to the fact that it will also increase their potential market. In general, the Office will examine only for formal aspects, for compliance with the definition of design and to ensure the design is not contrary to public morality. There will be no examination to ensure that the design meets the standard of being new and of individual character. The Federation would not disagree with that decision, given its experience with the fallibility of searches made under existing examination systems. But otherwise it is in favour of more, not less, examination, because that creates greater certainty for third parties, and it would have liked to see examination for other inherent registrability questions such as the design not being excluded under the must-fit test.

A proposal that there should be a hole in the unitary Community right in a country where there was a prior-filed national right not made available until after the Community design's priority date did not survive, and now a Community design will be invalid *in toto* if there is a such a prior national right, as well, of course, as if there is prior Community design.

The Community design will be actionable in specific national courts of first and second instance designated by the member state concerned as Community Design Courts. Eventually, the Federation would like to see the court system for Community designs aligned with whatever system will eventually be introduced for Community patents. ■

Designs Directive Implementation

The Patent Office is consulting on the implementation of the EC Designs Directive in the United Kingdom and the Federation is preparing its response. The consultation follows new standards and explains the issues and possibilities in admirable detail. The route will be by a statutory instrument under the European Communities Act 1972, which means that change is limited strictly to what is required to implement the directive.

In general, the approach proposed is to introduce the wording of the directive, ambiguities and all, and leave it to the judges to decide what they mean. While perhaps understandable in the light of some of the UK's experiences with the implementation of intellectual property directives in the past, the Federation would urge the UK not to abandon entirely the possibility of achieving clarity for its own implementing legislation. The consultation suggests that as far as possible, and where options are allowed to members, the national regime should be brought into alignment with the Community design as established by the Community Designs Regulation. The Federation agrees with that general policy. ■

Designs Registry

In the field of Designs Registry Practice, the Federation was instrumental in causing the Registry to moderate a new policy that there should be automatic fast-track publication of new registrations within a very short time after filing. That apparently desirable practice could nonetheless cause problems, for instance where foreign applications were to be made in non-Convention countries where there is no right of priority. Now there will be a facility for applicants to request that publication will be delayed for up to six months. ■

Copyright

The text of the proposed Directive on Copyright and related rights in the Information Society was finally settled on 9 April, when the Council agreed to accept the amendments adopted by the European Parliament during its second reading. The Parliament's amendments were extremely modest, despite the intense lobbying that had followed the Council's earlier adoption of its common position which drew in some of the Parliament's amendments from its first reading. No doubt the efforts of the recording and film industries, the collecting societies, the consumer electronics industry, network operators and consumer groups, all of whom were more or less unhappy about some aspects of the amended common position, finally cancelled each other out.

The directive was greeted with muted enthusiasm by the Federation. At a European level it is needed to allow the EU to ratify the WIPO Copyright Treaty. Yet at a UK level our legislation is already in substance compliant, and one of the possible costs of the directive to us is that we may lose the UK exception from copyright infringement for fair dealing for commercial research, which will make life harder for research-based industries.

From its title - a Directive on Copyright and related rights in the Information Society - one might have expected the measure to be concerned solely with works in electronically accessible form. In fact, it applies to works in any form, and therefore will have a fundamental effect on the whole range of British copyright, including books and paper copies.

Nonetheless, the measure is still one of only partial harmonisation, because differing national traditions and expectations on exceptions to copyright defeated any hope of a fully harmonised set of exceptions. The final outcome was one extremely narrow mandatory exception and an *à-la-carte* menu of optional exceptions from which member states could choose, but beyond which the Commission originally intended that they should not be able to go. That stark solution was softened in the final text by permission for member states to retain traditional exceptions of minor importance, but only for works in analogue form.

The mandatory exception applies to network intermediaries who make certain technically necessary copies while transmitting works that may be infringing, and was the least that this industry sector felt it could tolerate. These and other intermediary service providers are likely to find the rather different provisions of the E-commerce Directive on liability are likely to prove quite as useful in practice.

The main controversy centred on the issue of private

copying. Continental expectations are that there should be a broader right of private copying than is permitted by any UK exception under the fair dealing head, but that in many circumstances it should be paid for. The normal method of payment is by levies on media or, sometimes, equipment. The levies are paid to collecting societies, who in turn distribute them, more or less transparently, to authors. Though originally the directive contained nothing to require the payment of levies, when the European Parliament considered the proposal in its first reading it sought to match many of the exceptions with an obligation to see that authors received "fair compensation", which was widely interpreted as meaning that levies must be imposed. The Council accepted that there should be "fair compensation" for the exercise of some exceptions, but only after enough qualifications had been introduced to leave the UK reasonably comfortable that it could escape the need to introduce levies altogether, given the character of the British exceptions.

There were also fears that the development of the Information Society would be endangered by a broad private copying exception, which - so the fear went - would act as an open door to piracy, because digital copies are normally indistinguishable in quality from the original. The directive therefore allows right-holders to close this door and lock it by imposing technical measures that prevent copying. The directive gives these measures complete legal protection against circumvention and the manufacture and sale of circumventing devices, even when the resulting copy would itself be lawful. The link with infringement that is to be found in the current British anti-circumvention provision (the only one in the EU) has been abandoned. Some protection against circumvention is needed, but it need not have been so absolute. However, if all copying by the user is prevented, the exercise of many exceptions becomes impossible. The directive's solution is to require member states to ensure that the benefits of some of the exceptions, generally those having a social purpose, are made available to lawful users, though apparently member states do not have to do so by legislation - monitoring and persuasion would be enough. The need might be met, for instance, by right-holders applying technical protection that allowed a strictly limited amount of copying, or by their making keys to unlock the protection available to specific groups such as the blind. However, since nothing in this directive points unambiguously in a single direction, a particularly obscure provision, introduced at the last moment and only

partially clarified by one of the Parliament's amendments, removes even this safeguard for interactive on-demand delivery of works.

How the interaction between technical protection and exceptions will develop is far from clear, and will be one of the subjects for a so-called contact committee of representatives of member states and the Commission that will monitor the application of the directive and technological and legal development.

Federation members with interests in the development and supply of equipment believe that technical protection will be important for works in digital form, and its availability should remove the need for levies in countries that currently impose them, and especially the extension of levies to digital equipment and general purpose devices such as PCs and communications equipment. Technical protection means that the right-holder can control and therefore charge for individual uses of his work, and thereby receive direct remuneration that removes the rationale for the non-specific solution of levies. A number of right-holders would agree, but the collecting societies may be harder to convince. They have an entrenched statutory position in some member states, even to the exclusion in some fields of the individual author, and may be reluctant to forego their rôle.

One class of work that is not subject to the directive - sometimes - is software, since computer programs remain subject to the Software Directive, and where a topic is dealt with there its provisions will continue to apply. This relationship is confirmed for software reverse engineering. Both directives deal with technical protection, but the Software Directive allows technical protection to be overcome as part of permitted decompilation, and a recital makes it clear that this freedom will take precedence over the absolute

prohibition on circumvention of technical protection that applies under this directive.

Similarly, though less happily, the mandatory exception for necessary copying in the course of network transmission will not apply when the work is a computer program, because the Software Directive has a complete code for the exceptions applying to the exclusive right of reproduction. The Commission has made a declaration that it will give further consideration to the relationship between the two directives, especially in these areas. Yet the right of making a work available for on-demand access by the user, which is one of the exclusive rights of the copyright owner under this directive, will apparently apply to computer programs, since there is no corresponding right under the Software Directive.

The Federation was concerned that the closed nature of the list of exceptions would have upset the balance struck between the UK's unregistered design right and copyright, because it would have made it difficult for the UK to retain its provision ensuring that manufacturing the article shown in a design drawing would be solely an infringement of the design right and not at the same time an infringement of the copyright in the drawing. In the final directive, there is a provision ensuring the survival of provisions relating to design rights that will, we are told, leave the UK solution intact.

Implementation is to be in the relatively short time-span of 18 months. We can expect it to be by statutory instrument under the European Communities Act, but it will require the UK to make some policy choices and to show some finesse in accommodating some of the requirements of the Directive. The Federation intends to play its full part in the consultation procedure. ■

Licensing and Competition Law

The year 2000 transformed the landscape of European Commission regulation. A review of the situation as it stood on 1 January 2001 is appropriate.

Block Exemption Regulation 2790/99 on vertical agreements has replaced –

- Regulation 1983/83 on exclusive distribution agreements;
- Regulation 1984/83 on exclusive purchasing agreements; and
- Regulation 4087/88 on franchising agreements.

It also covers various vertical agreements not covered by the previous regulations, notably

- supply of goods by one manufacturer to another who re-processes the goods,

- selective distribution (systems of distribution where distributors are selected on the basis of tests), and
- distribution of *services* rather than products.

The *form* of Regulation 2790/99 differs from its predecessors in internal structure and in that it is intended to be read in conjunction with guidelines.

The major adverse change is that Regulation 2790/99 applies only if the market share is less than 30%. Accordingly, agreements that would have met the requirements of the previous regulations may fall outside the present one, and may be unenforceable under Article 81(2) of the EC Treaty. At least one company, a continental beer distributor which “failed”

the market share test, decided in 2000 to liberalise all its distribution agreements, possibly to its commercial disadvantage, so as to reduce the risk of unenforceability.

The Research & Development and Specialisation Block Exemption Regulations have been replaced, respectively, as follows:

418/85 by 2659/2000; and
417/85 by 2658/2000.

These two regulations differ from their predecessors in internal structure and in that there are associated guidelines (the latter covering a wide range of “horizontal” agreements).

The research and development regulation still contains the much-criticised, difficult-to-apply market share test (applicable where the parties carrying out joint research and development are actual or potential competitors), although the threshold has been raised from 20 to 25%. The requirement of the old regulation for a defined programme of work and objectives has been removed, and this may facilitate the

drafting of agreements falling within the regulation. However, this can scarcely mean that open-ended joint research and development can be covered by the regulation; one needs to be able to assess whether the parties are actual or potential competitors and, if they are, what market is the relevant one for the market share test.

The Commission is now considering how to revise the Technology Transfer Block Exemption Regulation 240/96. While this allows the Commission to withdraw the benefit of the block exemption under certain conditions likely to depend on market share, applicability of the exemption in the first place is mostly independent of market share. TMPDF and others had to lobby hard to persuade the Commission to avoid more generally applicable market share tests when Regulation 240/96 was being drafted. The Commission may feel emboldened to impose such conditions in a replacement regulation because they did so in regulation 2790/99. TMPDF has written to the Commission expressing its opposition. ■

Jurisdiction

Jurisdiction Arrangements

The Brussels Regulation

The Commission believes, and it is widely although not universally accepted, that the *Regulation on Jurisdiction and the Recognition and Enforcement of Judgements in Civil and Commercial Matters* (44/2001/EEC) transfers ‘competence’ in the field of jurisdiction arrangements, i.e. legal authority for entering into agreements on such matters, from EU member states to the Commission, with effect from the date of adoption of the Regulation, although the Regulation itself will not come into force until 1 March 2002.

The wording of the Regulation is almost identical to that of the Brussels and Lugano Conventions which it is intended to replace. This is regrettable, as these Conventions suffered from major defects insofar as they related to industrial property, and particularly patent, disputes. There was no obligation for validity and infringement issues to be heard by the same court and the choice of forum in which proceedings could be initiated was biased too much in favour of the plaintiff. Unfortunately, the negotiations on the text of the new Regulation took place without IP interests (government, professional or user) being consulted,

with the result that these (and other) issues were not addressed, or even considered, before it was politically impossible to make any changes.

It would therefore appear that IP users and practitioners will have to accept the continuation of the existing, unsatisfactory, rules for determining jurisdiction within the EU member states until the opportunity arises to review the operation of the new regulation in 2007, five years after its coming into effect.

The Hague Judgements Convention

The UK Government has also been engaged for some years in negotiations in The Hague for a world-wide Convention on jurisdiction and judgements, modelled on the Brussels and Lugano Conventions. However, unlike the situation in the negotiations for an EEC Regulation to replace the Brussels/Lugano Conventions, the views of IP interests were sought at a time when the outcome could still be influenced. As a result the Federation has been able to put forward a recommendation, supported by the UK patents judges, that IP should be excluded from the provisions of the proposed Convention, in view of the known deficiencies of the model on which it is based. At the present time, the text of the proposed Convention is still under discussion, but a diplomatic conference at which it would be signed is planned for June 2002. ■

UK Courts

Patents Court Users Committee

This Committee, upon which the Federation is represented, has considered the possibility of a pre-action protocol being prepared for IP matters, in line with the recommendations of the Woolf Report. The existence of threats provisions in the UK statutes makes it difficult to produce an effective pre-action protocol and this has led to a proposal that the threats provisions should be abolished. The Federation is presently consulting on this proposal.

Patents County Court Users Committee

Judge Ford retired from the Patents County Court (PCC) on 30 September 2000 and Mr Justice Laddie assumed responsibility for its operation, in addition to his High Court responsibilities.

At a subsequent meeting of the PCC Users

Committee, he indicated his view that the PCC had a very useful role to play and that cases would be transferred to it whenever appropriate to relieve the overloading on the Patents Court. However, the current workload of the PCC would not justify a permanent full-time judge and the existing deputy judges (all QCs) could not be expected to make themselves available at short notice to handle interlocutory and case management work. The required judicial staffing would therefore be achieved by recruitment of more part-time deputy judges, drawn from the ranks of appropriately qualified solicitors as well as from the Bar. It was expected that the process of selection and training of the new deputy judges would be complete by mid-2001.

Justice Laddie also indicated that the PCC would continue to be based in London, although it would be available to travel if circumstances so required. The expansion of its remit, so as to include Trade Marks, was also thought to be premature in view of the other changes to the PCC that were taking place at the present time. ■

The Patent Office

Quinquennial Review

The UK Patent Office is subject to a quinquennial review. It is a serious review, conducted by a senior civil servant from the Department of Trade and Industry (DTI). The Federation has been involved throughout the DTI review, which was conducted in two stages in 2000/2001.

The results are generally favourable to the Patent Office and also relatively uncontroversial, with two exceptions: the demise of SACIP - which was the conclusion of a separate review - and proposals on the Patent Office surplus. These important issues are discussed below (see page 22).

The review found that the Patent Office has achieved a remarkable transformation over the last decade and is now regarded as extremely customer-focused and responsive. There was a useful recognition that the policy role on IP should remain in the Patent Office, as opposed to it being moved into the DTI. The need to ensure continuing high quality in this role is emphasised. Possibilities mentioned include making greater use of outside expertise and strengthening links with other parts of Government, in particular the DTI. The Federation has strongly supported these

recommendations.

The review recognises the importance of the proposals on the Community patent and also the need to continue with the national and EPC systems. There is an interesting paragraph proposing that the UK Government should press for work sharing e.g. for the European Patent Office to use national offices for search/examination work.

On trade marks, the review accepts that the option of UK registration should be retained but recommends that there should be early consultation, which has occurred, on the alternatives if, as it recommended, the Trade Marks Registry ceases to reject applications, *ex officio*, on the grounds of conflicting marks found as a result of the search of the UK Register. The review recommends that the Patent Office should work closely with Companies House and Nominet to ensure that, in so far as it would be helpful to companies, a unified application should be possible for company, trade mark and domain name registration.

Designs are seen as an IP right where an EC regime could subsume the UK system. Users are to be consulted on this issue. We get a glimpse of the debate within Government on whether copyright policy should stay within the Patent Office competence or be moved e.g. to the Department for Culture, Media and

Sport. The conclusion of the review is that it should stay with the Patent Office. The importance of the Internet is again emphasised.

Enforcement of IP rights is recognised as an area of concern to users, both in terms of cost and delays. There are optimistic passages about the possible role of the Patent Office in e.g. “marriage-broking” between inventors and potential manufacturers. The reviewer did not limit herself to the functioning of the Patent Office. The need for the Office and its legal position were also considered. The conclusions were that “the Office should not simply be abolished” and that Agency status remains appropriate.

The Patent Office was urged to increase the use of Information Technology (IT) in all its activities, both for internal and external purposes. Externally, the system needs to be compatible internationally with other patent offices to allow applicants the option of electronic filing and access. A director of the Patent Office having specific IT expertise could serve as an “e-champion”.

Patent Office Surplus

An issue of specific concern to the Federation is the Patent Office surplus of £118 million. This is growing. The surplus arises because 50% of the renewal fees of EP (UK) patents are retained by the UK Patent Office before these fees are remitted to the EPO. The quinquennial review discusses options for use of the surplus. The one it favours is paying a dividend to the DTI, with the money received used for a specific purpose connected with innovation. The Federation has commented that the surplus is a tax on innovation. The surplus should be used as additional, not replacement funding of innovation. It is most important that the government must press within the EPO Administrative Council for changes in the distribution arrangements, which would eliminate such surpluses. The Federation has pointed out that this would make the patent process cheaper and more accessible e.g. to SMEs. ■

SACIP Restructured

The Patent Office signalled its intention to review the operation of the Standing Advisory Committee on Industrial Property (SACIP) in its Corporate Plan 2000. TMPDF has been an active contributor to SACIP over many years and gave evidence to the Patent Office review on the value of SACIP and the benefits of consultation via SACIP. However, SACIP does not conform to the standards set by the “Nolan” rules which require, *inter alia*, that public bodies such as SACIP must consist of individuals in their own right and not as delegates of organisations. The review process concluded with a report to SACIP that included a number of recommendations. These recommendations were:

- To restructure SACIP as an independent Intellectual Property Advisory Committee (IPAC) to offer advice on the strategic direction of the intellectual property regime, including copyright. The committee will consist of 10 to 12 people chosen on merit to identify issues and make recommendations to Ministers about policy.
 - To appoint a consultation co-ordinator within the Patent Office to manage the process of consultation at an early stage with various interest groups affected by particular issues.
 - To take technical advice from professional users having an important interest in the way the intellectual property system works.
 - To consult on ECJ cases with the appropriate organisations likely to be able to provide comment.
- The Patent Office issued invitations to join IPAC and we expect that it will be constituted in the second half of 2001. TMPDF encouraged its members to consider putting their names forward for inclusion in IPAC. A consultation co-ordinator has been appointed by the Patent Office and TMPDF will provide input in response to the consultation that will be managed by the consultation co-ordinator. In addition we are assured of opportunities to provide technical advice to the Patent Office through a number of working and focus groups on individual topics, as well as being invited to participate in UK delegations to international conferences. ■

TMPDF Members

Member Companies of the Federation include the following:

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