TMPDF

Trade Marks Patents and Designs Federation

Trends & Events 2001/2002

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 over 50 members (and 12 associate 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.

Activities

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 also an invited observer at diplomatic conferences and meetings of standing committees of the World Intellectual Property Organisation (WIPO).

The Federation maintains good contacts with the UK Patent Office, and members of its Council and committees participate in several Focus Groups which advise the UK Government on patent matters, and in Patent Office consultation groups on trade marks registration, patent practice and designs. TMPDF is also represented on other bodies which advise the European Patent Office. In the UK, it is represented on the Users Committees of the Patents Court and the Patents County Court.

The Federation maintains good contacts with parliamentarians both in Westminster and in the European Parliament. In the UK, it has close contacts with the Chartered Institute of Patent Agents (CIPA), with which it jointly organises a core skills course for patent attorneys, the Institute of Trade Mark Attorneys (ITMA), the Intellectual Property Institute and the IP Awareness Group. Internationally, TMPDF exchanges views and maintains good contacts with similar IP user organisations in other countries, notably in Japan and the US.

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 (associate) 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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Review of

Trends & Events

in Intellectual Property

2001-2002

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June 2001-May 2002

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Introduction

For intellectual property, the public policy agenda has been as full as ever this year, with initiatives across the range of intellectual property rights and at every national and international level, as we discuss in this review. The Trade Marks Patents and Designs Federation has played its full part as it has sought to ensure that industry has the support of a set of efficient, cost-effective and balanced intellectual property rights, backed by a workable litigation system. Only on that foundation can industry undertake the investment in innovation and new product development that allows it to contribute to the prosperity of all.

But if the year has been characterised by much activity, it has less to show by way of end results. The most significant failure was the absence of agreement on the Community Patent Regulation by the end of 2001, as the Lisbon summit of March 2000 had demanded. The project is still alive, and work is due to proceed under the Danish Presidency. For the Federation, the current position is not wholly unsatisfactory. The Commission's original proposal had been attractive to industry, but political compromises risked turning it into a system industry would not want to use. The Federation is pleased that the UK Government accepted that there should not be agreement at any price. It is also pleased that attention will now be directed to the litigation system, which has always been important for Federation members. It will be the more so if, as now seems likely, the European Patent Litigation Protocol, which was seen by Federation members as a useful supplement to the Community system, fails to happen.

But we cannot afford to look at the system only from within. We are faced with growing concerns about the effects of intellectual property in the developing countries, especially as they affect public health. Those concerns found expression in the Declaration of the WTO Ministerial Conference held in Doha in November 2001 and will undoubtedly find further expression in the report to be produced by the Commission on Intellectual Property Rights, which was set up by the UK's Department for International Development. For those who depend on the generation of intellectual property, the need will be to ensure that legitimate concerns about intellectual property are met - and in that respect it is useful that the Doha Declaration confirms the existing flexibilities - whilst at the same time ensuring that intellectual property is not made to take the blame for inadequacies in other areas such as infrastructure.

Last year, the Government changed its mechanisms for consultation on intellectual property. In the course of the year, the new system has been settling into place.

The Standing Advisory Committee on Intellectual Property was disbanded, and, instead, at the strategic level, there is now the Intellectual Property Advisory Committee to take a horizon-scanning role. At the level of individual issues, the Patent Office is increasingly reliant on focus groups to give a rapid input as the issues develop. The members of the focus groups are appointed as individuals, not as representatives of organisations, but the Federation is pleased that all focus groups include participants from its membership. They are informed by its thinking, and help feed back to the Federation the thinking of the Government and the views of other interests in the focus group, but are not under a responsibility to represent its views in the group. We have continued to make our own direct inputs, in answer to consultations and as we have seen the need to make our views known. It is a matter of pride for us that our in-depth papers are not only (we trust) influential with the UK authorities, but are also highly regarded in other circles, abroad as well as in the UK. They often serve as a basis for the formulation of UNICE's view and, through that important voice for European industry as a whole, are able to influence developments at the European level.

Patents

Community Patent

The project to establish a unitary Community Patent covering all EU member states has a long and difficult history. When the European Patent Convention was being negotiated during the 1960s and 1970s, the then EU member states also considered establishing a Community Patent system through a Community Patent Convention (CPC). Indeed, CPC should have come into force at about the same time as did European Patent Convention in 1978. In fact, the CPC was not finally agreed until eleven years later in 1989 in Luxembourg, and was never ratified by all the then EU member states as was required if it were to come into force. Some member states (Denmark and Ireland) at the time of CPC's agreement in 1989 had constitutional problems with ratification and some of the states (such as Spain) which had subsequently joined the EU said they would not ratify until all the original members had ratified. In any case, industry said it would not use that Community Patent system very much due to its high cost and unsatisfactory litigation arrangements.

The Community Patent project then slumbered throughout most of the 1990s. However, after consultation with the users, the European Parliament and the EU's Economic and Social Committee, the European Commission decided to revive it. In fact, the Commission was anyway minded to do this because of its conclusion that weaknesses in the patent system in Europe had contributed to the so-called "innovation deficit" between Europe on the one hand and the USA and Japan on the other. Therefore, in August 2000, the Commission adopted a Proposal for a Council Regulation to establish the Community Patent system. The legal basis for the Regulation would be Article 308 of the EU Treaty, which requires unanimity among the member states in the Council of Ministers before it can be adopted. The European Parliament must be consulted but cannot veto the Regulation.

In March 2000, the Lisbon summit of the EU heads of government set a deadline of the end of 2001 for adoption of the Regulation. The deadline was not met. However, the Belgian government, which then held the EU Presidency, had hoped that the political framework for the Community Patent system would be agreed by the deadline. However, no agreement at all was reached on this at the meeting of the Internal Market Council on 26 November. The stumbling block at this meeting was the language regime for the system, with Spain, Portugal, Italy and Greece holding out for a regime which the other member states regarded as too expensive and so unacceptable to the users. The Declaration from the Laeken summit of the EU heads of government on 13 and 14 December asked the Internal Market Council to meet on 20 December in order to agree "a flexible instrument involving the least possible cost while complying with the principle of non-discrimination between Member States' undertakings and ensuring high level of quality".

The December Internal Market Council meeting failed to agree the political framework but did decide to continue discussions, especially on the language regime, during the Spanish Presidency starting on 1 January. The Declaration from the Barcelona summit on 15 to 16 March repeated the Laeken Declaration's views on the Community Patent project, and asked the Internal Market Council to agree the political framework at its meeting on 21 May.

Throughout this time, extensive negotiations have been taking place between Member States to find an acceptable solution on the question of language. Proposals discussed have included English only (favoured by industry), English, French and German (favoured by the Commission), a five language regime including additionally Spanish and Italian (favoured by the European Parliament) and a number of other proposals for a more extended language regime involving translating some or all of the claims of the patent or a derivative abstract into all the Official Languages of the EU. Currently the proposal under most active consideration involves translation of the claims only. While this has the potential to deliver some cost savings it still falls short of achieving the original idea of a single, cheap patent in the EU.

During all the discussions, very little has been said on the litigation arrangements for the Community Patent system. This has disappointed industry, since a high quality litigation system is critical to ensuring that there will be wide-spread use of the Community Patent. The Commission have suggested the establishment of a Community Intellectual Property Court to decide the infringement and validity of Community Patents at both first and second instance, with a final appeal on a point of EU law to the European Court of Justice. This suggestion has support among the member states but some (Germany, Spain etc.) oppose it. The Belgian government's final proposal suggested that infringement and validity of Community Patents

would be decided by the legal structure laid down by the Nice Treaty, i.e. Articles 225a (creation of judicial panels) and 229a (jurisdiction of the European Court of Justice in disputes relating to the application of acts which create Community industrial property rights). The Belgians suggested that at first instance a central structure be set up in Luxembourg with a "degree of decentralisation corresponding to the annual number of disputes, with Member States hosting Community judges within a national infrastructure designed for that purpose". Cases at second instance would be heard the ECJ's Court of First Instance in Luxembourg. Of course, the Nice Treaty is not yet in force and may not be for some time given its rejection in the Irish referendum last year.

When might the Community Patent system come into force? If the Regulation were adopted by the end of 2002 (this is by no means certain), the first applications might be filed at the EPO at the end of 2003. Average pendency in the EPO is currently running at about 4 years from filing so, unless the EPO reduces pendency significantly, it could be 2006-7 before Community Patents are granted in significant numbers. The first infringement cases on Community Patents could perhaps reach the Community Intellectual Property Court by, say, 2007-8.

Improving the System for Litigating European Patents

Two Inter-Governmental Conferences (the first in Paris in June 1999 and the second in London in October 2000) have been held with the object of improving the European Patent system, which is generally regarded as far too expensive, complicated and difficult to use. The Paris Conference appointed two Working Parties to study this subject.

One of these Working Parties was asked to prepare a draft text for an optional Protocol to the European Patent Convention which would commit signatory countries to an integrated judicial system, including harmonised rules of procedure and at least a common court of appeal, for litigation concerning European Patents. At the London Conference, the Working Party was given a new mandate whereby it had until the end of 2001 to produce the Protocol in treaty language. The Protocol is now known as the European Patent Litigation Protocol (or EPLP for short) and the court to be set up by it is called the European Patent Judiciary (or EPJ). The Working Party appointed a Sub-Group to prepare the Protocol consisting of the ten EPC member states who were interested in using the Protocol. This group includes the UK, Germany, France, Sweden, Switzerland and the Netherlands, but not Spain or Italy. Mr. Jan Willems (a former Dutch Judge who is now a member of the European Patent Office's Board of Appeals) was asked to prepare drafts. Mr. Willems has now prepared three successive drafts of the Protocol, and the Sub-Group at its Munich meeting on 3 to 5 December asked him to prepare a fourth draft. The Sub-Group plans to agree the draft soon and then the Working Party should decide next autumn whether to recommend the convening of a third Intergovernmental Conference (in Switzerland in 2003?) to sign the Protocol. Unfortunately, the Commission seems determined to kill the Protocol. It argues that Regulation 44/2001 (replacing the Brussels Convention on Jurisdiction) gives it the sole competence to negotiate agreements like this Protocol on behalf of the EU member states. The Commission says it is short staffed and cannot possibly contemplate establishing both the EPJ and the Community Intellectual Property Court (CIPC) to be set up by the Community Patent Regulation; it prefers to put its efforts into the latter.

Even if the Protocol were agreed at a Intergovernmental Conference in 2003 and the problems with the Commission were overcome, it could be many years (2006?) before the EPJ hears its first case. In the UK (and probably in most other states), primary legislation will be required to cede sovereignty from the national courts to the EPJ and the necessary parliamentary time to do this may be difficult to find. Industry seems reasonably satisfied with Mr Willems's latest draft. If this draft did form the basis of the Protocol as finally adopted by the Intergovernmental Conference and a reasonable number of states (including say the UK, Germany, France, the Netherlands, Sweden and Switzerland) did join the scheme, industry could well find the EPJ an attractive forum to resolve disputes. Indeed, if the infringement occurs in only Protocol member states, the patentee may have no option but to go to the EPJ. Even if the EPJ does open its doors with only a few participating states, and if it proves a success, perhaps the other states like Spain will join at a later date. If both the EPJ and the CIPC are established, they could in due course be merged into a single court. If nothing else, the litigation system embodied in the Protocol could well provide the template for the CIPC.

WIPO Patent Matters

WIPO Patent Agenda

In September 2001, the World Intellectual Property Organisation (WIPO) announced a new initiative – the WIPO Patent Agenda – to prepare a strategic blueprint for the future evolution of the international patent system. This should not replace, or undermine ongoing work on, the Patent Law Treaty (PLT), the Patent Cooperation Treaty (PCT) or the draft Substantive Patent Law Treaty (SPLT). Rather, the initiative is intended to cover all perceived problems with the existing national and international arrangements and possible solutions, with a focus on accessibility, user friendliness and cost effectiveness. WIPO considers that there may be a need for a "more equitable" balance between the rights of inventors and the general public. With the approval of its governing bodies, WIPO issued a questionnaire to a wide range of potential users of the patent system. 31 questions covered such matters as general policy and structure, patentability criteria, costs, sharing information and resources, avoiding unnecessary work and duplication of work, use of the PCT, licensing and marketing and development cooperation.

In its detailed replies to the questions, the Federation agreed that further development of the international system is an urgent requirement. This should be achieved by working within and developing the existing treaties such as the PLT and the PCT and successfully concluding work on the SPLT. We emphasised that there is a need to improve the quality and consistency of international search and examination. It was emphasised that utility model protection is not an acceptable answer to the problems of cost and simplification. It is important for patent protection to be defined by properly drafted claims.

A conference took place in Geneva in March 2002 where a large number of speakers addressed the issues mentioned above and other topics such as the interaction of the patent system with health issues, access to genetic resources, traditional knowledge, new technologies, coping with demand, the capacities and roles of small and medium sized patent offices, use of alternative dispute resolution procedures and the use of data bases. Virtually all participants recognised the crisis caused by the ever-growing workload of patent offices and the need to develop and improve the international systems. The WIPO secretariat intends to pull together the various contributions, both from the answers to the questionnaire and from the conference, in order to put proposals to the governing bodies in September 2002.

Patent Cooperation Treaty (PCT)

In June 2001, the Federation and other organisations protested against a European Patent Office (EPO) proposal to save work by "simplifying" international preliminary examination under chapter II of the PCT. Many applications were to be dealt with in a very rudimentary way and the proposal meant that the examination would no longer be useful when assessing whether to pursue an application in national jurisdictions. The implementation of the proposal was postponed and the EPO re-negotiated its agreement with WIPO so that it could restrict the number of international preliminary examinations that it performs on behalf of non-member states (particularly the United States).

A significant change to the PCT system was introduced in September 2001 when the PCT Assembly agreed to change the minimum time limit for entering the national phase from 20 to 30 months, irrespective of whether a demand for international preliminary examination has been made, with effect from 1 April 2002. Thus it will no longer be necessary to make a demand before 19 months merely to secure the benefit of a 30 month international time period. There should be a substantial reduction in the number of international preliminary examinations that have to be carried out. However, the change is not yet fully implemented, since there are transitional arrangements for countries that need time to change the national law. (Some, such as the EPO and the UK Office, did not need extra time.) The Federation considers that, until all countries of interest have implemented the change, it will be prudent to continue to file a demand before 19 months.

A WIPO Working Group on PCT Reform met in November 2001 and in April 2002. The Federation submitted detailed comments before the first of these sessions. The Federation supports a number of proposals from the United States concerned with simplification, though some need to be revised. In relation to a WIPO proposal to provide that all applications should be considered to designate all member countries, the Federation has emphasised that it must continue to be possible to opt out of certain countries, especially the United States (whose law and requirements are so different from the norm). The Federation is not in favour of another proposal to "enhance" the search report by adding an opinion on patentability, in view of its members' experiences of the poor quality of many first opinions. The Federation does not agree that publication of the international application should be deferred to enable a first opinion to be prepared or that costs at the search stage should be increased. The Federation also opposes a proposal to prohibit the

possibility of correcting obvious errors in the description, claims, drawings and abstract.
WIPO hopes that it will be possible to present new rules taking account of the Working Group discussions in September 2002.

Substantive Patent Law Harmonisation

The Federation was pleased that work in WIPO proceeded in earnest during 2001 to develop an international treaty concerned with the substantive aspects of patent law (SPLT). We consider that the introduction of a common international approach on substantive issues should be of great benefit to those who need patents in several countries. A common approach will improve understanding, simplify prosecution of applications, simplify the enforcement of granted patents and reduce costs.
The work is proceeding in the framework of the WIPO Standing Committee on Patents, which met twice in 2001 and has met once so far in 2002. The Federation has submitted comments to the UK official side and to UNICE, which is represented as an observer at meetings of the Committee, in advance of each meeting. We would welcome a comprehensive treaty covering all substantive aspects of patent law. However, the treaty as presently drafted omits several major subjects, including the nature of the rights to be derived from the patent (which should be as in the TRIPs Agreement, with the addition of a provision on contributory infringement), granting the rights to the first inventor to file in the case of conflicting applications and a standard time, e.g., 18 months from the priority date, at which the application would be published. On the other hand, a number of controversial proposals to which we have objected have been included in the latest draft, including a provision for a 12 month grace period in relation to the inventor's own prior disclosures (see page 12 for the Federation position on this topic), a provision on claim interpretation according to an "equivalents" doctrine in a form that was rejected at the EPC diplomatic conference in 2000 and an anti self-collision clause in "whole contents" situations. A number of other controversial matters, on which we have commented, appear in the draft text.
At the meeting of the Committee that took place towards the end of 2001, the work changed direction somewhat in that it was decided to exclude some matters dealt with in other WIPO treaties such as the Patent Law Treaty (PLT) and the Patent Cooperation Treaty (PCT). Since a provision in the draft SPLT obliges contracting parties to comply with the provisions of the PLT, we agree that there is no need to repeat any of its provisions. However, reliance on the PCT to set some substantive standards is a rather different matter. It is not completely clear which parts of PCT should apply to the harmonisation of national laws. Moreover, the present PCT rules, e.g., 5 (description) and 6 (claims), are too prescriptive as regards contents, order and manner of presentation to form a satisfactory basis for harmonisation. We have commented on these matters and look forward to the work being satisfactorily concluded in the not too distant future.

Patentability of Computer-Implemented Inventions

In February 2002, following a public consultation and after much internal discussion, the Commission issued its Proposal for a Directive on the Patentability of Computer-implemented Inventions (COM(2002) 92 final).
For some years there has been a growing debate over the extent to which patents should be available to protect software. The European Patent Convention (EPC), and the national patent laws that follow it, including that of the UK, have a specific exclusion from the class of patentable inventions for computer programs, but only to the extent to which the application relates to that subject-matter "as such". Yet, increasingly, inventions in the field of technology may be implemented by means of programmed computers, and if the exclusion prevented the grant of any patent where a computer program might be involved, or allowed the supplier of software to escape when the supplier of equivalent hardware would not, the objectives of the patent system would be defeated. However, provided the invention itself is of a technical character, it has long been recognised that the involvement of a computer program is no bar to the grant of a patent, which under those circumstances would not to be for the program "as such".
Unfortunately, the wording of the exclusion has created confusion and misled some into believing that patents are never available to those who write software. Therefore, there was a proposal at the EPC revision conference in November 2000 simply to remove the exclusion of computer programs from what is patentable. That failed, because the Commission was holding its consultation on the principle of protection in this area (the UK was holding a consultation of its own in parallel) and the authorities preferred to await the outcome of the consultations. The need to reflect on the desired policy was heightened

by the growing divergence with the position in the USA, where following the *State Street Bank* case patents are being routinely granted for pure business schemes, whether or not implemented by computer.

The Commission's consultation revealed a sharp distinction between most bodies representative of industry, who believed patents in this area were helpful to innovation, and some open-source software interests, who vigorously opposed the granting of any patents that might apply to software.

In the event, the proposal sets out, with one significant exception, to confirm in essentials the current practice of the European Patent Office (EPO). It ties the patentability of a possible invention stemming from a novel program to the presence of a technical contribution. If there is no technical contribution, the claimed subject-matter is to be treated as lacking the inventive step required for patentability.

The proposal permits an invention that meets this test to be claimed in the form of a programmed computer or a process consisting of a program in execution, but not, and this is where it differs from current EPO and UK practice, as a computer program in isolation.

The exclusion of claims to programs is understood to be part of the political settlement within the Commission that allowed the proposal to be issued in the first place. TMPDF regrets this particular choice, because once a possible invention is held to be patentable, the form of the claim should not be relevant and all commercially significant manifestations of the inventive idea should be directly protectable. The exclusion is defended in the proposal on the ground, among others, that to permit such claims would be to allow the patenting of computer programs "as such".

The proposal is in accord with the general principle applied in Europe that patents should be available for inventions of a technical character. The requirement specifically for a technical contribution ensures that a claimed invention made up of a novel program mounted on a conventional computer will not be patentable simply on the basis that the combination inherently has a technical character because of the presence of the hardware. This test therefore excludes systems where the novelty in the program is of a purely business nature and draws a clear line between what is to be allowable in Europe and the current US practice. It confirms the outcome of the *Pension Benefits Systems* case T 0931/95, where the EPO Board of Appeals rejected an application where the novelty of the claimed invention was purely in the calculation of the money flows involved in a pensions scheme, even though the corresponding application in the USA is reported to have been allowed.

Unfortunately, though the most reasonable reading is that the intentions of the proposal are very much what TMPDF would be support (apart from prohibition of program claims), the proposal is worded in a fragmented and complicated way that has led to doubts by those who would otherwise support it as to whether in fact it achieves its objective. From a UK point of view, the main problem is that a rather loose use of the word "invention" means that it does not clearly overrule decisions such as *Raytheon's Application* by preventing judges applying exclusions such as those for mental acts before they ever consider the allowability of an invention under this proposal. What is lacking is a positive requirement to grant a patent where there is a technical contribution.

Another concern is that the proposal may be read as implying a more restricted definition of "technical contribution" than is warranted, in particular because it may require a technical contribution that is itself non-obvious. What is wanted, and indeed may well be intended by the awkward language used, is that there should be a technical contribution, which may itself be of an obvious nature, for instance an increase in speed, and that the claimed invention as a whole, including both technical and non-technical features, should be non-obvious.

These concerns are valid, and it will be important to work towards improving the wording of the Directive during the course of the legislative process. But they should not distract industry from supporting the overall thrust of the proposal against those who would like to see computer programs as an entirely patent-free zone, to the detriment of those seeking protection for advances in technology delivered by genuinely innovative programs.

The proposal is moving straight into consideration by the Legal Affairs Committee of the European Parliament and the Economic and Social Committee, where open-source opponents of the Directive may be expected to make their views heard. Consideration by the Council Working Party will start in June.

The European approach on business methods patents has been confirmed by notices from both the European Patent Office and the UK Patent Office. In the face of many applications from the USA for cases allowable there, or possibly by European applicants hoping for a relaxation in the law here, both have declared that they will not carry out a search where the application relates to business methods with no prospect of maturing into a valid patent under our laws. For the EPO, that includes PCT applications as well as those under the European Patent Convention.

In April 2002, based on a reconsideration of the case law, the UK Patent Office announced a change in practice under which applications will not be rejected

under the exclusions for mental acts or methods of doing business provided a technical contribution is present. This is the point that is not dealt with as clearly as we would like in the draft Directive; it is good news provided the judges take the same view.

Biotechnology

European Directive on the Legal Protection of Biotechnological Inventions

The European Court of Justice ruled on the Dutch challenge to this Directive in October 2001, concluding that the Directive was not contrary to EU law (case C-377/98). The implementation deadline for the Directive was 30 July 2000. Only five member states have thus far implemented the Directive. These are Denmark, Finland, Greece, Eire and the UK.

Progress towards implementation of the Directive in the remaining states remains slow but should ultimately be successful in Sweden, Spain, Portugal and possibly Italy. However, in France, Germany, Netherlands and Belgium, the implementing legislation has run into difficulties. Proposed changes to the law include:

- the limitation of patent protection on genes to their use (in Germany);
- the banning of patents on plants and animals altogether (in the Netherlands);
- the deletion of Article 5, dealing with the patentability of human genetic or other materials when isolated from the human body (in France);
- an extension of Article 6 to exclude from patentability inventions made in contravention of human rights or the Convention on Biological Diversity, or without prior informed consent (in Belgium).

In France the matter of Article 5 is now the subject of contrary legislation in which Article 5 inventions are provided to be unpatentable. In Luxembourg, the Parliament has recently called upon its government to renegotiate the Directive.

The European Commission is preparing a report, which will summarise the status of implementation. It will also provide a commentary on Article 5 and offer an interpretation that addresses the issue of the patentability of naturally-occurring products. The report should be published in about July 2002. The Commission is unlikely to take any steps towards enforcement for the time being due to elections in France and Germany. In the meantime, the debate on the merits of use-restricted gene patent protection is being broadened to embrace all compositions of matter and not just genes (see items under "Other European Developments" below).

Other European Developments

European Commission Communication on Life Sciences and Biotechnology – A Strategy for Europe

This paper represents an initiative from the Commission to develop a comprehensive and strategic vision in life sciences and biotechnology. It was published in January 2002, following a public consultation. One action point specifically related to intellectual property and had the overall objective of providing a "strong, harmonised and affordable European intellectual property protection system, functioning as an incentive to R&D and innovation". This objective was to be achieved by implementation of the Biotech Directive, adoption of the Community Patent Regulation, clarifying rules on ownership of intellectual property stemming from public research and monitoring effects of patent legislation on research and innovation, raising awareness of intellectual property in academia, and promoting a level playing field internationally in patent protection on biotechnology.

Breast cancer genes

In October 2001 the European Parliament passed a resolution expressing "dismay" at the grant of a patent to Myriad on the BRCA1 and 2 ("breast cancer") genes and called for the European Patent Office (EPO) to reconsider. The EPO has responded to the resolution, defending its position on gene patents. The issue is one of pricing of diagnostic products which, unlike the position with drugs, is not regulated in Europe. The licensing approval process for such tests is also variable from country to country and less robust. The controversy is causing the debate on compulsory licensing to move to the forefront especially in the context of the implementation of the Biotech Directive in various countries, such as France where consideration is being given to removal of the time constraint.

House of Lords Select Committee on Human Genetic Databases

The Committee recommended in March 2001 the adoption of use-limited protection for genes; however, the Government rejected the recommendation. The House of Lords recommended that patent rights over genes should continue to be granted only where

a significant gene function has been established, and that the patent should cover only that function and direct extensions of it. A possible but not yet envisaged special use of a gene should not be patentable. The Government responded in July 2001 that a patent should only be granted where a significant gene function has been be established but rejected the recommendation that it should press (at an international/European level) for patents to cover only a specific function and direct extension of it. Linked with the Commission's requirement to report to the European Parliament and the Council annually on the developments and implications of patent law in biotech and genetic engineering, reference was made to UK Government plans to "conduct its own investigations into the effects of the current practice of granting patents for genetic sequences themselves on the economics and growth of the biotechnology industry and on the implications for research and access to medical treatments".

"Gene Patenting: A BMA Discussion Paper" August 2001

Prepared by the Medical Ethics Department of the BMA, this paper argues that gene patents should be limited in scope so as to cover only the specific utility disclosed in the patent specification.

USA

Safe harbour defence (271(e)(1)): Bristol Myers Squibb v. Rhône-Poulenc Rohrer (SDNY 2001)

This case has generated much interest around the use of patented screens and the extent to which the safe harbour defence of 271(e)(1) is available to drug discovery companies. This case highlights the obverse situation that has developed between the USA and Europe. The USA thus has a safe harbour for activities, typically downstream activities, designed to lead to the generation of data to be used in a FDA submission but does not have an experimental use defence. In contrast, Europe generally has an experimental use defence to infringement but no downstream counterpart to 271(e)(1).

Rivers' Bill

If passed, this Bill would provide an exemption to infringement for the research use of patented genes and for medical practitioners that use patented genetic tests. It also provides for the publication of gene sequences, which have been invented using government funds.

Other Bioethical initiatives

OECD survey on research tools

A survey has been undertaken on behalf of the OECD of the extent to which research is being stifled by research tool patents. The outcome was generally favourable and provided further weight to the view that the impact of these kinds of patents on drug discovery is manageable.

More information can be found on the OECD web site under:

http://www.oecd.org/EN/document/0,,EN-document-760-nodirectorate-no-20-21657-18,00.html and *http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-document-760-nodirectorate-no-20-24552-18,00.html*

This is confirmatory of the findings reported in the paper by David B. Resnik, Science and Engineering Ethics (2001), 7, 29-62.

Grace Period

Pressure never diminishes for the introduction into UK and European patent law of a "grace period", that is, a period before the filing of a patent application during which any disclosure of the invention by the inventor would not prejudice the patent application. In 1988, the European Commission circulated a questionnaire and held a hearing of interested parties. The conclusion at that time was that if a grace period were to be introduced at all into European laws, it would only be workable if harmonised in an international context. More recently, The World Intellectual Property Organisation (WIPO) has made proposals for a grace period provision in the draft Substantive Patent Law Treaty (SPLT – see page 9). The period would be for 12 months prior to filing the patent application related to the disclosure to be graced; disclosures by the inventor or by anyone who obtained the disclosed information from the inventor would benefit, the benefit could be claimed at any time in the life of the patent, and a third party who in good faith used or prepared to use the disclosed information during the grace period would be free to continue such use.

Because of the ongoing WIPO proposal and also because of other pressure, for example from academics who wish to publish their work quickly and then consider making a patent application, and from some smaller firms that would like to demonstrate and test their inventions in the presence of third parties without the need to impose confidentiality obligations, the UK Patent Office launched its own consultation exercise, including a detailed questionnaire, in February

2002. Some 18 questions were posed, in two groups. The first group of questions was concerned with the desirability of introducing a grace period into UK law and invited comments on the particular arguments presented in the consultation document. The second group was concerned with developing a model for a grace period.

In its response to the questionnaire, the Federation argued that a grace period that could be used systematically and routinely would be against the interests of other users of the patent system and against the public interest. It was most unlikely that a system would be developed that would be used only in emergencies and as a mechanism to restore lost rights. In consequence, the Federation did not favour the introduction of a grace period.

Among the problems that a grace period of the type envisaged in the WIPO proposals would cause, the Federation drew attention to the following:

Problems for competitors

There will be a longer period of uncertainty following a publication before it is known whether what it discloses will be the subject of a patent. This extra period will inhibit research and development programmes and investment decisions.

There will be extra problems and expense for third parties studying the background to competitors' patents, unless applications identify all prior publications that are to be graced, not later than the date of publication of the corresponding application.

The public interest

A grace period will increase the uncertainties and potential for disputes in the patent system, since applicants, in particular SMEs, who attempt to use the grace period, will come under attack from others in disputes over who did what and when. The overall effect is likely to be the inhibition of healthy competition.

The introduction of a grace period would be a disproportionate response to the alleged needs of the small number of inventors who publish information without proper regard for the reasonable requirements of a simple and straightforward patent system.

Problems for applicants who intend to rely on the grace period

It will be dangerous to publish information ahead of the filing date in the home country of the related patent application. In many countries grace periods are not recognised at all and in many others, including the USA and Japan, a grace period before the priority date in the home country will not be recognised. Thus rights abroad will be lost.

Others will be able to use the ideas in graced publications, develop them in new ways and publish the results before the filing date of the graced application. This will lead to complex legal disputes concerning ownership.

Many large companies prefer to discuss proposals from SMEs on the basis that a patent application setting out the invention has already been filed. They will be more reluctant to discuss proposals on the basis that a patent application, which might be used against them, might be filed after the discussions.

A graced publication may well restrict the potential scope of the subsequent patent application, which might have to be limited to the particular disclosure in the graced publication.

Lack of reciprocity, particularly vis-à-vis the USA

There will be a non-reciprocal benefit to applicants claiming priority from US (and Japanese) first filings if a grace period for disclosures before the priority date is introduced unilaterally in Europe. The US grace period is designed to co-operate with the US first to invent system. A level playing field will only be achieved when the USA adopts a first (inventor) to file system.

In general, the grace period would encourage bad practice by applicants and, by making the patent system more complex and less clear, would have an inhibiting effect on innovation. In particular, claims to grace would stimulate disputes as to who did what and when between those working in similar fields and whether or not information was obtained from graced disclosures. The exposure of small firms to disputes initiated by larger ones would be increased. The grace period will not solve the problems of academics, particularly as the form of published research results is usually unsuitable as the starting point of a patent application but may nevertheless prejudice the possible scope of the patent.

In view of its overall objection to the introduction of a grace period, the Federation was reluctant to comment on the section of the questionnaire concerned with developing an acceptable model. However, to make clear the safeguards that would be necessary should a grace period be introduced, the following points were made:

Only disclosures by the patent applicant (the inventor or his successor in title) that are accidental, inadvertent, in breach of confidence or made at international exhibitions should be graced. It should be a matter for the applicant to prove, not merely allege, that the information in any disclosure by another that he considers should be graced was obtained from him.

The grace period should be not more than three months and should be measured in relation to the actual date of filing of the patent application concerned.

A disclosure of the same invention, developed independently by a third party, before the filing date of the application concerned should invalidate the application, despite the grace period.
A third party who uses or prepares to use information in the graced disclosure before the filing date of the related application should not be restrained from continuing the use after the patent has been granted, and should not have to prove "good faith".
An applicant should declare any disclosure that is to benefit from the grace period in time for the declaration to be published with the application concerned.

Serious consideration to changing the date of publication of patent applications to 18 months following a graced publication should be given.
Any grace period system must be internationally adopted and involve US commitment.
As an alternative to a grace period, the Federation advocated greater use of first applications establishing internal priority, which do not have to be "perfected" for 12 months, and improvements in the creation of awareness. The low cost assistance offered by many UK patent agents to first time inventors was mentioned.
The Patent Office intends to publish the results from the consultation in due course.

Patent Practice Working Group

The working group meets quarterly to review patent related issues and developments, and is attended by representatives of the Patent Office, Chartered Institute of Patent Agents, FICPI (the International Federation of Intellectual Property Practitioners) and TMPDF. The Group's meetings and activities are now public on the Patent Office's website.
Specific issues with high visibility at the meetings included:

- To what extent the Patent Office and the patent profession should join forces in the recruitment and training of people into the profession. Some joint presence resulted at recruitment fairs and Patinnova 2001, the conference organised in October 2001 by the Patent Office with the Commission and the European Patent Office (EPO).
- The 'Meeting the Future' initiative by the Patent Office resulted in a separate Focus Group being set up to review several proposals intended to make the Patent Office more efficient and timely. A document was also issued for wider consultation by the Patent Office.
- Translation requirements for EPO, and whether the UK ought to be unilaterally implementing this, even if France and Germany would be slower.
- The possibility of e-filing and its introduction, using pilots, probably towards September.
- Acceptability of address for service within the EU.

Other matters which are in various stages of resolution included:

- Document transmission between Patent Office and EPO.
- The setting up of a special 'private applicants' unit at the Patent Office, to help unrepresented applicants and reduce the amount of time needed from examiners in the early stages of the filing of patent inventions by these applicants.
- The desire by the Patent Office to have more face to face contact with the customer.
- Rule changes in view of possible e-filing and in view of the Patent Law Treaty, signed under the auspices of WIPO in Geneva in June 2000.
- Mutual recognition of patent offices and the use of ISO 9001 as a vehicle to improve it.

Trade Marks

The Future of Official Examination on Relative Grounds

United Kingdom

In last year's *Trends & Events*, we described the debate which was opening up in the UK to review the Patent Office's current practice for searching every new trade mark application and rejecting it if the search disclosed an earlier registered mark that was confusingly similar.

In September 2001 the Patent Office sent out a consultation document to interested parties. The covering letter referred to the series of seminars which had been conducted by Registry personnel up and down the country, and invited views and comments from all parties. It was an impressive document, fair and well-researched, with good explanatory material, and which set out all the options and took care not to come down on one side or the other.

The TMPDF response to this was in line with the Federation's September 1999 paper presented to SACIP, which had probably been the catalyst for this whole debate.

The TMPDF position is that – ideally – the search and examination on relative grounds should be abandoned, but that as a gesture to those who apparently feel so passionately that there should continue to be an official search, then perhaps this could be made optional. It is perhaps a measure of the TMPDF's success in pushing that debate, and indeed of the pace of change in trade mark circles generally, most notably as a result of the development of Community Trade Mark practice, that that original position, apparently so daring at the time, now seems to be shared by almost everyone except for some members of the Institute of Trade Mark Attorneys.

Besides the UK, we believe only Greece, Ireland and Portugal continue to examine on relative grounds. With due respect to them, these are not countries which have in the past shown themselves to be in the forefront of developments in trade mark law and practice. Of greater relevance to UK industry is, we believe, a level playing field with its competitors in the Benelux, France, Germany, Italy and Spain. If SMEs in these countries can function happily in a no-citation environment, what is it about the UK's SMEs that makes it necessary for the Government to continue to hold their hands in this way?

There has been much debate around two out of the four options set out in the Patent Office's consultation paper, namely whether the Registry should give applicants a list of possibly conflicting marks, and whether the proprietors of the marks on those lists should themselves be warned. The TMPDF view is that we should avoid any temptation to continue the nanny state approach, and indeed that the Registry would be compromised if it initially had to say whether there was a potential conflict with an earlier mark and then later had to be neutral in its judicial role as to whether there was actual conflict. There is also the danger that a proprietor of a mark on such a list might feel obliged to be proactive in response, in case his inactivity should later be deemed to be acquiescence.

European Union

A similar debate is proceeding in the EU, where the Commission is also conducting a similar consultation exercise. The result should be known later in 2002. The Federation has expressed its view, through UNICE, that for political reasons the search system is never likely to be abolished in its entirety, and that we still prefer an optional system, namely that an applicant could elect not to receive the official search, hopefully for a concomitant saving in fees and time.

It is understood that while both the Office and (possibly) the Commission are in favour of total abolition, the EU requires unanimity for any change and at present nine Members States are in favour of retaining the search, and only six are against.

The Community Trade Mark Office (OHIM)

General

The number of Community trade mark applications dropped in 2001 (48,856 as opposed to 57,267 in 2000) and this declining trend has shown no sign of being reversed in the first few months of 2002. As a result, the reduction in official fees which the Office had planned to introduce in the Autumn of 2001 was postponed.

Boards of Appeal

There has been no corresponding decline – yet – in the number of cases referred to the Boards of Appeal, of which there are now four. The independence of the Boards is enshrined in the Community Trade Mark (CTM) Regulation, and each one guards this independence very jealously, so much so that sometimes they even deliver decisions that are contrary to those of another Board. This has aroused some criticism from the users of the system, and the Commission and the Office have decided to create a new position – a President of the Boards of Appeal – one of whose tasks would be to try to introduce some consistency. Out of a large number of applicants, three names have now been proposed by the Administrative Board.

Other ideas to reduce the case log jam include: the introduction of the Advocate-General system (as at the European Court of Justice), and single member Boards rather than a panel. The Federation expressed its view that the first would actually slow the procedure up, but that the second could be worth further study. It was originally thought that the appeal rate might reduce as the Boards began to settle most of any 'difficult' or 'unexplained' parts of the CTM Regulation, but so far the effect has been just the opposite.

The Federation feels that there is an absolute need for the Boards to maintain their culture of independence from the Office, but not from each other. They also need to aim for a consistent body of case law, which implies the establishment of a system of precedent.

Study to evaluate the functioning of OHIM

The Evaluation Study of the Office carried out by Deloitte & Touche was published in 2001, and it concluded that the Office was, on the whole, functioning satisfactorily. Some of its recommendations are now being implemented, but the general view of the Study was disappointing. It had been rushed, with insufficient consultation with the users, and too much ignorance of trade marks on the part of the organisers. In short, a good opportunity had been missed.

Retail services

Following the decision of the 2nd Board of Appeal in the *Giacomelli* case in December 1999, and following a consultation with the OAMI Trade Marks Group, the Office agreed to allow the registration of Community Trade Marks for retail services.

Enlargement

The Commission has created a special Working Group to deal with trade mark issues arising out of the enlargement of the EU. Its first meeting was at the offices of UNICE in April 2001 and the group has the twofold aims of keeping the interested circles abreast of developments, and investigating how the private sector can participate in the preparations for accession and its consequences for the CTM system.

In general it has been decided that all CTMs should automatically extend to a new Member state from the day of its accession. In the case of conflict, the parties should first try to resolve any differences, but if no agreement can be reached, then the owner of an earlier conflicting right in the new Member state should have the right to prevent the *use* of the extended CTM but not its *registration*. Concern has been expressed about the possibility of bad faith filings, but there has been little evidence of this as yet.

Guidelines

The Office continues to publish new Practice Guidelines from time to time, but at an unacceptably slow rate.

Jurisprudence

There is an ever increasing flow of referrals from the Boards of Appeal to the Court of First Instance (CFI) and thence to the European Court of Justice (ECJ) itself.

Procter & Gamble's CTM application for BABY DRY was the first case to progress all the way from its initial refusal by the Examination Division through the Boards of Appeal and the CFI to the ECJ. It was finally accepted by the ECJ after having been refused registration as being inherently unregistrable at all the previous levels.

The CTM Regulation and Rules

The Office has set in motion some proposals to introduce legislation to amend the CTM Regulation. It is hoped that this will shortly be followed by amendments to the Implementing Regulation (the Rules).

Internet

ICANN

The Internet Corporation for Assigned Names and Numbers (ICANN) has continued to develop its role of governing the complex workings of the Internet domain name system and other functions. During the year it has held further meetings in Stockholm (June 2001), Montevideo (September 2001), Marina Del Ray (November 2001), Accra (March 2002) and Budapest (June 2002). A meeting will also be held in Shanghai in October 2002.

President and CEO, Dr M Stuart Lynn, issued a paper in February 2002 calling for radical reforms to the ICANN system particularly with regard to its funding and structure, and his proposals have so far been, and will continue to be for some time, the subject of much discussion and debate.

The ICANN Domain Name Supporting Organisation (DNSO) is one of three supporting organisations that develop and recommend policies concerning the Internet's technical management. The DNSO has a names council made up of representatives from the 7 constituencies. Of these there are two important constituencies relevant to intellectual property owners, the IP constituency representing the views of users of IP and the commercial and business constituency which represents the views and interests of those who use the internet to conduct business. The DNSO currently has working groups and task forces in the following areas: International Domain Names, .org, UDRP Review, WHOIS.

New Top-Level Domains

Six of the seven new Top-Level Domains (TLDs) which were adopted in 2000 concluded their contracts with ICANN and .aero, .biz, .co-op, .info, .museum and .name are all now available for reservation. The .pro TLD is close to completion.

The process for launching the unsponsored TLDs, involving in the case of .info and .biz a restricted application period followed by a landrush, have not been without difficulties for intellectual property owners. The .biz "Sunrise" period and the .info "STOP" period allowed for those claiming trade mark rights to stake a claim in domain names matching their trade marks. The fundamental differences between the rules for registrations and the use of domain names with the law of trade marks meant that these attempts to solve cybersquatting problems has raised other issues, many of which are still coming to light. However, the ability to use the existing domain name dispute procedures in relation to these new TLDs is of advantage to trade mark owners. Not surprisingly those TLDs which have restricted or "chartered" registration (.museum, .co-op, .name, .pro) have been less controversial. In addition to generic TLDs, during 2001/2002 there have been many changes to the rules surrounding registration of country code top-level domains (ccTLDs). Perhaps most significant is the change to the rules and promotion of .us, which will no doubt encourage a significant number of applications.

Dispute Resolution

The Uniform Dispute Resolution Procedure (UDRP), following a further year of activity, remains popular for trade mark owners in resolving disputes with cybersquatters. Around 10,000 domain names have now been included in UDRP proceedings including disputes in the new TLDs and those with ccTLDs who also adhere to the UDRP. Whilst there continue to be conflicting decisions from the wide and varied panellists, patterns are now emerging on the interpretation of the policy. During 2001/2002 ICANN's Domain Name Supporting Organisation (DNSO), set up a Task Force on UDRP which has conducted a survey and review of UDRP and is working on publishing its findings and proposals.

.eu

In April 2002, the European Regulation on the Implementation of the .eu Top-Level Domain was adopted following agreement by the Parliament and the Council.

Discussions about the introduction of .eu had been on the table for some time and this TLD, whilst neither a global TLD nor a ccTLD, is seen as a complement to the existing suffixes and is one which will help to create a European identity on the Internet. The Commission's proposal for .eu includes safeguards against cybersquatting and extra-judicial procedure for the settlement of disputes. There will shortly be a call for expressions of interest to operate the Registry and it is hoped that these procedures will now be completed as quickly as possible. As with other Registries, the operator of the .eu TLD will require a contract with ICANN. ICANN already agreed in September 2000 to set aside the .eu domain for future delegation.

Nominet UK

Nominet is the not-for-profit organisation which registers domain names in the UK. In September 2001 Nominet introduced its new dispute resolution procedure which, although similar in principle to UDRP,

has two fundamental differences: compulsory mediation and an appeal procedure. Panellists were appointed following public advertisement and a selection procedure. The Panel consists of a wide selection of professionals and the majority have legal and IP backgrounds. Since the policy came into effect 320 cases have been received and of these 127 were later withdrawn. Mediation has resulted in 52% of cases being successfully resolved prior to a panellist being involved. For those that went on to a decision 87% were concluded in favour of the claimant. So far no decision has been appealed.

During January 2002 Nominet launched me.uk as a second level domain designed for personal use. More recently Nominet announced changes to its WHOIS which now will contain the name and address of the registrant.

Copyright

The ***Directive on Copyright and Related Rights in the Information Society*** was finally adopted on 22 May 2001. Implementation is due by 22 December 2002, after the Council accepted an amendment by the Parliament reducing the time allowed from the normal two years to 18 months. The shortened time was seen as over-optimistic by some member states for so complex a subject-matter, and it seems unlikely that many will meet the date, especially since there are elections in important continental member states in the intervening period.

In the UK, a consultation paper was promised for last autumn, and then for this spring, and now for the summer. On the other hand, the Patent Office has been consulting informally throughout, and the main approach is reasonably clear. The UK will implement by a Statutory Instrument under the European Communities Act, and in view of the short deadline will make as few changes to the existing law as possible. Interestingly, the Patent Office does appear to believe that, where the Directive has optional provisions, they will retain the power to introduce new implementing regulations dealing with these aspects even after the date for implementation has passed. Therefore, there will be scope for possible policy changes later, but they would only follow a fuller consultation than seems likely for the initial implementation: the consultation paper itself may canvass this possibility.

A draft of the implementing regulations has been promised as part to the consultation paper. We must hope that there will be a full opportunity to comment on the draft, and that time will be allowed to take comments into account, even if that means the date for implementation will be missed. It will be unfortunate if there is a repeat of what happened with the implementation of the Designs Directive, when the draft was issued so late that there was no time for consultation on the wording. After all, the Government has set a precedent with the E-commerce Directive, where they were still issuing consultation documents even after the deadline had passed.

The main thrust of the Directive is towards the harmonisation of copyright in the electronic environment. It harmonises the reproduction right (the restricted act of reproduction, in British terminology) in terms which, for works in electronic form, are essentially derived from the UK's Copyright, Designs and Patents Act 1988, and change should not be needed there. However, the Directive also affects works in traditional form, where the main change is likely to be on the exception of fair dealing for research. As has already happened for databases, the exception permitting fair dealing when the research is for a commercial purpose may well be held to be unsustainable in future. That is a change the Federation would regret.

There is a mandatory exception for certain technically necessary transient or incidental copies, and the regulations are likely to follow the Directive verbatim on this exception. All other exceptions permitted by the Directive are optional, and except for the change to fair dealing for research the UK is unlikely to make any significant change to its existing exceptions.

However, there will be one new exception, as permitted by the Directive, for the benefit of the visually impaired. There has already been a consultation on this subject, to which the Federation responded in broad support of the principle of such an exception. A private member's bill to introduce an exception for this purpose, the ***Copyright (Visually Impaired Persons) Bill***, was introduced by Rachel Squires MP in July 2001 and received a second reading in March 2002 with Government support. Whether or not the bill ultimately succeeds, there will undoubtedly be an exception for the benefit of the visually impaired in the implementing regulations for the Directive.

At a European level, much of the debate has centred on the issue of private copying. The Directive permits private copying exceptions, but, following an

amendment of the Parliament, couples it and a number of other exceptions with a requirement that the copyright owner should receive "fair compensation". That follows a continental view that private copying is not so much an exception as a permitted exercise of the copyright owner's exclusive right which should be paid for. Unfortunately for Federation members who deliver the technology that makes the Information Society possible, payment is seen by collecting societies on the continent as deliverable only by levies payable on equipment and media and they are trying in many countries to extend levies to digital equipment. In the UK the only significant private copying exception of the sort permitted by the Directive is to allow recording of broadcasts for time-shifting.

The UK has always been firmly against levies, and was instrumental in introducing a number of wording changes into the Directive designed to ensure that "fair compensation" does not necessarily require additional payments, especially in cases like time-shifting. There has been no indication that there will be any change in policy that would lead to the introduction of levies.

Another factor that, according to the Directive, is to be taken into account in fixing fair compensation is the availability of technical protection measures. Technical protection, when coupled with digital rights management techniques, allows the right-holder to receive payment according to the degree of use made of his work, thus overcoming the problem that led to the lump-sum approach of levies. Technical protection is an important part of the way copyright will work in the digital environment, and because of the ease of making perfect digital copies it has been given its own special legal protection under the Directive. This protection is tougher than the existing British provisions in Section 296, because it applies even if the copy made when overcoming the protection is itself lawful, for instance because permitted by an exception. Changes will therefore need to be made to Section 296, which applies only to the manufacture and supply of devices (the Directive also makes the act of circumvention unlawful) and then only when the purpose is to make an infringing copy. On the other hand software, for which the existing provisions of the Software Directive must be preserved, will need to be carved out from this new protection because it could make impossible the achievement of the interoperability objectives of the Software Directive by preventing legitimate reverse engineering.

Because the protection for technical protection is being made so stringent, it is balanced by a safeguard intended to ensure that right-holders cannot totally block the exercise of all exceptions. Unfortunately, the wording of the Directive is vague, and there have been widespread doubts among member states as to how this provision should be implemented. It will be interesting to see how the UK intends to deliver its obligations under this provision.

Another private member's bill in the copyright field, the ***Copyright, etc. and Trade Marks (Offences and Enforcement) Bill,*** was introduced in November 2001 by Dr Vincent Cable. It seeks to align the penalties and remedies for criminal copyright infringement with those for trade marks. It cleared the Commons in April with Government support and appears on course for enactment.

Designs

The Protection of Designs in the UK

On 9 December 2001 the UK changed its registered design laws to conform to the European Designs Directive 98/71/EC on Harmonisation of Designs Law. The changes introduced make design registration an attractive option although unregistered design and copyright laws remain unchanged. Registered designs rights will remain cumulative with other forms of protection, so for example, registration of a design will not affect the enforceability of copyright.

The Directive will not lead to complete harmonisation throughout Europe of all aspects of national law, in particular, with regard to the protection of spare parts. At the moment member states are required to maintain their current provisions on spare parts, although Article 18 of the Directive requires the Commission to review the consequences of this by October 2004, and, by October 2005, to propose any changes needed in respect of the spare parts issue. In addition the Directive did not attempt to harmonise the concepts of "public policy" or "morality" which may lead to a refusal to register.

A particularly new concept introduced was a 12 month grace period, during which disclosure will not destroy novelty and will allow companies to test the market or find financial backers for a new product without losing priority. Also new (certainly to the UK) is that it is now no longer necessary to limit registrations to a specified article or set of articles: protection will now extend to any product incorporating a registrable design.

The accompanying Registered Designs Regulations that amend the Registered Designs Act (RDA) 1949 principally affect parts of the RDA dealing with the criteria for registration and the effect of registration. The procedure for registration closely follows previous practice, but there are important changes to the substantive requirements for protection. The most significant changes and effects are summarised below.

The scope of a ***Registrable Design*** is now broader. There is a new definition of design (s1(2)) which now embraces "lines, contours, shape, texture, or materials of the product or its ornamentation". A design no longer has to possess "eye appeal" or need be applied to an article by an "industrial process" so it is the design itself that is registered. Protection will now extend to any product that incorporates the design. Get-up, graphic symbols and typographic typefaces are all examples of a "product" but computer programs are specifically excluded from protection.

Designs must be novel and have ***Individual Character***. A design is no longer viewed as not being new if it only differed from old designs in "variants commonly used in the trade". Now designs are not considered new if they differ from old designs only in "immaterial details". This may have a similar effect, but the test for "individual character" is entirely new and requires a design to produce a different overall impression from earlier designs on an "informed user". An "informed user" is not specifically defined in the Directive although it is suggested that he need not be a design expert in the field in question.

Disclosures against which novelty and individual character are tested are no longer limited to the UK. A design will be prior art if it has been published, exhibited, used in trade or otherwise disclosed anywhere in the world unless those events could not have become known in the normal course of business to the circles specialised in the sector concerned in the EU.

Component parts of Complex Products will only be new and possess individual character if they remain visible in normal use by the end user, so hidden parts cannot be taken into account when assessing registrability. Design features solely dictated by function and those that fit on or around another article are also excluded from protection. Rights in designs for component parts that may be used for the purpose of repair of a complex product so as to restore its original appearance (i.e. "must-match" parts) will be registrable but not be enforceable against uses for the purpose of repair - this was an important change to the previous prohibition on the registration of must-match parts in the UK and was welcomed by TMPDF when the Government decided to endorse it as the solution for the Community Design as well as introduce it here.

Scope of protection registration will confer on the holder the exclusive right to use the design and "any design that does not produce on the informed user a different overall impression" (s7(1)). Examples of acts for which the right holder has exclusive rights now specifically include stocking and exporting products using the design. Use of the design on any product can now constitute infringement whereas prior to the Directive use only on the type of product for which the design had been registered was deemed an infringement.

Other notable areas include ***Non-infringing acts*** (s7A(2)) which is very similar to that of the Patents Act 1977, ***Compulsory Licences*** (which have now been repealed), and ***Exhaustion*** (S7A(4)).
The Transitional Provisions provide that from the 9th December 2001 the Regulations will govern the rights given by registration although infringing acts which took place prior to that date will continue to be judged under the RDA 1949. In particular, it will no longer be relevant that old designs were registered in respect of particular articles or sets of articles. It will become an infringement to use the design in respect of any type of product irrespective of the previous limitation. The new Regulations cannot be used to prevent anyone from continuing a use legitimately begun before the Regulations came into effect.

The Community Design Regulation – a UK Perspective on the European Position

On 6 March 2002, the "Unregistered Design Right" aspect of the new Community Design Regulation, Council Regulation (EC) No. 6/2002, came into effect, which means that from that date, all designs qualifying for protection as a Community Design automatically receive a European-wide form of unregistered protection which lasts three years from first disclosure of the design to the public.
The unregistered protection is protection only against copying (similar in this respect to the UK Unregistered Design Right) but this is only the beginning of what promises to be a revolution in the field of design protection in UK.
Next year (2003) OHIM, the Office for the Harmonisation of the Internal Market which already looks after the registration of Community Trade Marks, will open its doors to registration of Community Designs. The system laid down in the Regulation is very different from the UK's Registered Designs system as it used to exist, though the changes to the UK system already discussed bring the substantive law closely into line with the system being introduced for the Community Design, since both follow the European Designs Directive. This brief note is not intended to be a detailed guide to the new European system, but rather a short summary of the main points to look out for.

What can be protected?

The definition of "design" is simple and very wide, being defined as "the appearance of the whole or a part of a product resulting from the features of, in particular, the lines, contours, shape, texture and/or materials of the product itself and/or its ornamentation" (Article 1.3(a)) and a design shall be protected by a Community Design "to the extent that it is new and has individual character" (Article 1.4(a)).
Designs relating to component parts of complex products can only be considered to be protectable if (i) the part remains visible in normal use and (ii) the visible features of the component pass the test of "new and have individual character" (Article 4.2(a) and (b)).

Application for Registration

Here there are several points to be noted. There is a one year grace period from first disclosure within which the design may still be protected by registration (Article 7.2(b)). It is therefore not essential to file before disclosure of the design, which would enable a designer to show designs to see which ones generated most interest before filing for registration.
It will be possible to file multiple designs in one application *provided that* they all fall into the same class of the Locarno classification. Up to now, the draft implementing regulations contain *no limit* on the number of designs that can be in one application so it would be possible, for example, to include all the designs for a new book of wallpaper designs in one application. (Article 37.1).
It will also be possible to defer publication of a registered Community Design for a period of 30 months from filing (or priority) date (Article 50.1). In the case of an application for multiple designs that has been deferred it is possible to select which of the multiple designs go forward to publication (Article 50.5). The designs not so selected remain unpublished, and could be filed again if they have not been published in other ways.

Examination

There will be examination *only* for compliance with formal requirements for filing and to check that the design is not contrary to public policy or morality.
Thus, there will be no examination to verify that the design meets protection requirements.

Opposition

There is no provision for opposition before registration of a Community Design; the means to challenge validity of a design will be to apply to the office for a Declaration of Invalidity after the design has been registered and published.

Scope of protection

Whilst an applicant for a Registered Community Design will be required to identify the product to which the design applies, and the class of such a product within the Locarno classification, the scope of protection will *not* be limited to that product. Hence, for example, a registered design for an automobile will also protect the design for a model of the automobile.

The definition of the scope of protection of a Community Design is that "… the design shall include any design which does not produce on the informed user a different overall impression" (Article 10). It remains to be seen how the Courts will interpret this form of words.

The solution adopted by the Regulation on the design of parts that can be used for the repair of complex articles so as to restore their appearance (which in reality means spare body parts for motor vehicles) is - so the Federation believes - that the design can be registered and enforced against other original equipment manufacturers, but not against use and supply in the aftermarket. This is intended to be an interim solution while the Commission completes its review of the topic.

Invalidity

A registered Community Design can be declared invalid by the office after application has been made for such a declaration by a third party (Articles 24 & 52) or by a Court on the basis of a counterclaim in infringement proceedings (Article 24). The grounds for invalidity (Article 25) largely mirror the requirements for protection (Articles 3 to 9 and 14).

In summary, it can be seen from the above that the new Community Design system offers many more protection options and opportunities for industry, and the combination of immediate short term (3 year) unregistered protection with longer term (up to 25 years) protection by registration, means that a form of design protection at the European level should be available to meet everyone's requirements.

Utility Models

In July 2001 the Commission issued a consultation paper on the introduction of a Community Utility Model. It was prompted by a mysterious call from the Lisbon summit of March 2000 that the Community Patent, which was to be made available by the end of 2001, should "include" a utility model.

The Federation's response strongly opposed the introduction of a right as described in the paper: it would give Europe-wide protection of a broad scope equivalent to that of a patent for developments of a lower inventive level than would justify the grant of a patent, and it would be obtained easily and cheaply and without examination. The resultant proliferation of unexamined but powerful rights for low-level developments would, the Federation believed, be anti-competitive and unhelpful to European industry, large and small. But the Federation remained nervous, because there were suggestions that a deal on the Community Utility Model might form part of a political package under which the Community Patent would be agreed at the end of 2001.

In the event, the utility model did not figure in the unsuccessful discussions on the Community Patent in November and December 2001, and in March 2002 the Commission announced the results of the consultation. The bulk of respondents had made very much the same points as the Federation, and from the tone of Commissioner Bolkestein's account, it is hard to see the Commission taking the proposal further.

Licensing and Competition Law

Anti-Competitive Agreements, UK and Europe

Anti-competitive agreements are the subject of Article 81 (formerly 85) of the Treaty of Rome and of the Chapter 1 prohibition of the UK Competition Act 1998.

In 2000, the European Commission replaced the existing block exemptions on exclusive distribution, exclusive purchasing and franchising with a new block exemption 2790/99 that included market share tests where the predecessor regulations had included none. This meant that large companies were no longer able to assume enforceability of existing agreements. As a consequence, a Continental beer producer decided to renegotiate all its existing distribution agreements.

TMPDF had previously written to the European Commission, in response to a preliminary questionnaire, to state its objection to the extension of market share tests to any regulation that might replace the current Technology Transfer Block Exemption 240/96, which is mostly free of market share tests.

However, it appears that a trend has been set. During the period of the present review, the following events occurred:

- The Commission proposed that the replacement for 240/96 should be subject to a 25% market share test when the technology transfer agreement was between competitors.
- The UK government announced its intention to repeal the Verticals Exclusion Order SI 2000 No. 310, which contained no market share tests, in favour of parallel exemption based on 2790/99. The effect of this would be to import market share tests into the consideration of vertical agreements under the Competition Act 1998.
- The Office of Fair Trading issued draft Guidelines on consideration of IPR under the Competition Act 1998. In the section on the Chapter 1 prohibition, these Guidelines referred to a 25% market share.

TMPDF believes that market share tests ought to be irrelevant in competition analysis of most technology licensing, and has expressed this belief both to the Commission and to the OFT. Unless TMPDF and like-minded bodies succeed in persuading OFT and the Commission to change their views, those engaged in technology licensing will incur (i) a higher risk that their agreements are unenforceable and/or (ii) the cost of notifying agreements. Large companies will suffer very obviously, but possibly also smaller ones, for the nature of patent protection on a significant invention is to procure a 100% market share for the patentee and his licensees.

Abuse of a Dominant Position, UK and Europe

Abuse of a dominant position is the subject of Article 82 (formerly 86) of the Treaty of Rome and of the Chapter 2 prohibition of the UK Competition Act 1998.

An Article 82 case based on very special circumstances (*IMS Health*) caused alarm to intellectual property owners. In *IMS Health*, the Commission expressed views in a preliminary press release implying that (for instance) refusal to license a competitor under a master patent "without objective justification" was an infringement of Article 82, to be remedied by compulsory licensing. TMPDF wrote to the Commission objecting to this. Subsequently, the Commission moderated its views and concentrated on the special features of the *IMS Health* case. In addition, the Commission decision to impose interim measures on IMS Health was suspended by the Court of First Instance, which suspension was upheld by the European Court of Justice.

Nevertheless, the Office of Fair Trading's draft Guidelines on IPR (referred to above), in the section on the Chapter 2 prohibition, tended to follow the Commission's original line of argument. TMPDF has commented to OFT accordingly.

Developments Outside Europe

In the USA, the Federal Trade Commission initiated a review of IP and Competition Law, specifically highlighting (i) over-broad claims granted by the US Patent Office for biotechnology and software, (ii) the increasing number of patents overall, and (iii) a particular refusal-to-license case. The Doha declaration, discussed in the following article on TRIPs, concerned itself among other matters with the power of WTO states to secure compulsory licences under patents.

International IP Protection and TRIPs

International protection of intellectual property, and TRIPs (the Agreement on Trade-Related Aspects of Intellectual Property Rights) in particular, remained the subject of intense scrutiny and some criticism throughout 2001. There has been considerable media coverage, which has talked about (but in no real way analysed) the allegedly detrimental effects of patents on health, particularly in the developing world. Although some progress has been made in showing that patents are not a cause of the problems faced by much of the developing world in obtaining access to medicines, it has not been enough to deflect attention away from TRIPs and onto the real issues, notably poverty.

In the UK, an independent Commission on Intellectual Property Rights was established (under the auspices of the Department for International Development) to examine, amongst other things, "how the international framework of rules and agreements might be improved and developed" and "how national IPR regimes could best be designed to benefit developing countries within the context of international agreements including TRIPs". The Commission is examining a number of issues such as copyright, software and the internet, rights in traditional knowledge, access to medicines and the role of IP in development. In February 2002, it held a two-day conference at which Mr Justice Laddie was a keynote speaker and during which the "one size fits all" approach of TRIPs was criticised by a number of participants (few of whom were from industry sectors). The Commission is due to present its report to the Secretary of State (Clare Short) later this year and it is expected that the report will be the subject of significant publicity.

TRIPs was high on the agenda at the Fourth World Trade Organisation (WTO) Ministerial Conference in Doha in November 2001, where a new Trade Round was launched.

Calls to allow WTO members to override intellectual property in the interests of promoting public health were unsuccessful. Instead, the Ministerial Declaration contained a reaffirmation of TRIPs while acknowledging that the agreement "can and should be interpreted in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all" and that WTO Members have the right to use the flexibilities in TRIPs to further those objectives. Those flexibilities were confirmed to include that each WTO Member has the freedom to determine the grounds on which compulsory licences are granted and may establish its own regime for exhaustion of IP rights without challenge. It remains to be seen whether this leads to an increase in the number of countries permitting international exhaustion and providing broad grounds for the grant of compulsory licensing.

Least developed countries were given until 2016 to implement and enforce the TRIPs rules on patents and protection of confidential information as they apply to pharmaceutical products.

In the face of allegations that TRIPs has failed to achieve its object of promoting technology transfer, it was confirmed that Article 66.2 TRIPs (which obliges developed countries to give their industries incentives to transfer technology to least developed countries) was a mandatory provision and developed country Members are to present detailed reports to the TRIPs Council on how these incentives function in practice by the end of 2002.

The TRIPs Council has been mandated to report by the end of this year on a solution to the "problem" caused by Article 31(f) TRIPs (which requires that compulsory licences should authorise supply "predominantly" to the domestic market). It is alleged that this provision contributes to the inability of poor countries to access medicines if they do not have the capacity to manufacture those medicines. This issue is of some significance, both politically and commercially, and its resolution will not be easy.

The TRIPs Council is also to examine the relationship between TRIPs and the Convention on Biological Diversity, the protection of traditional knowledge and folklore and "other relevant developments raised by Members", always taking "fully into account the development dimension".

Perhaps the most significant Dispute Settlement case was that brought by the EU against the USA in respect of a provision of US law allowing unlicensed playing of copyright musical works in some restaurants and bars. The law was held not to fall within the limited exceptions of Article 13 TRIPs and thus violated TRIPs. It is unfortunate that, for domestic political reasons, the USA (probably the strongest proponent of TRIPs), felt unable to amend the law to make it TRIPs-compliant but chose instead to arbitrate the issue of how much compensation should be paid for the violation on a continuing basis. The arbitration panel took an extremely restrictive view of damages payable which, if followed in future, might make it politically and/or commercially attractive for countries to violate TRIPs and pay compensation rather than comply with TRIPs.

Thus, it has been a busy TRIPs year. The next 12 months will be busy too, given the TRIPs Council agenda and the remote prospect of the pressure on international protection of IP diminishing. It will be interesting to see the extent to which developed world supporters of strong international intellectual property (particularly perhaps the EU Commission) are prepared to sacrifice intellectual property to other political goals such as progressing the new trade round, while protecting sensitive domestic interests such as agriculture and textiles.

Jurisdiction

Draft Hague Judgements Convention

Negotiations to establish an international convention on jurisdiction and the recognition and enforcement of foreign judgements in civil and commercial matters have been in progress for some years in the framework of the Hague Conference on Private International Law. About 60 countries, including the UK, other European states and the USA, are members of the Conference. The national negotiators have assumed throughout that intellectual property would be covered by the new convention, although organisations concerned with intellectual property only became aware of the negotiations at a relatively late stage. The first part of a diplomatic conference to finalise the draft texts was held in June 2001, the aim at the time being to complete the work in 2002.

The draft convention is quite complex, but the provisions on jurisdiction establish that the courts in the state of a defendant's residence have a general jurisdiction to deal with cross border disputes regardless of the applicable law, as well as those in countries where the defendant has agencies, branches or carries on commercial activity, provided that in these cases there is a relation between the activity of the agency, etc., and the dispute. Alternatively, courts in countries where acts causing injuries arise have jurisdiction, but only in respect of their own territory. These rules would apply to intellectual property infringement, though matters concerning registration and validity of registered rights would, by way of exception from the normal rules, be dealt with exclusively in the country of registration. If the jurisdiction rules have been followed, then the resulting decisions should be recognised and enforced in all member countries of the convention.

Before the diplomatic conference, the Federation lobbied strongly with our national authorities that intellectual property should be excluded from the scope of the convention, since we were unhappy that the interpretation and application of the intellectual property laws of other countries should be entrusted to courts that would, by and large, be inexpert and often of a different mind-set. At the least, infringement should be dealt with together with validity, in the country where the right is registered or established. Moreover, the precedence of other agreements should be acknowledged.

The first part of the diplomatic conference ended with a large number of questions unresolved, including that of whether or not to exclude intellectual property from the convention. Since then, further meetings between the negotiating parties have taken place, with a view to resolving outstanding difficulties, but major problems still remain in relation to the provisions on general jurisdictions, e.g., whether or not a defendant doing business in a particular country automatically comes within a general jurisdiction of that country's courts.

In October 2001, the European Commission held a hearing to attempt to define a European approach to the Convention. The Federation submitted similar views to those already put to our national authorities, while UNICE made critical comments on the whole of the convention, not just on its application to intellectual property. The Commission (which recently acquired the negotiating competence for the EU countries) seems likely to support a text that follows the old Brussels Judgements Convention as closely as possible, despite the problems that have been encountered in the intellectual property field with this convention.

In an effort to overcome the differences of view within the Hague Conference, it has been suggested that the convention should for the time being only apply in situations where the parties have agreed between themselves on a suitable court (choice of court convention). The Federation has pointed out that intellectual property should still be excluded from such a convention, because disputes should be heard in the courts of the country that granted or established the right concerned.

At a "housekeeping" meeting of the Hague Conference held during the diplomatic session of April 2002 it was decided that an informal drafting group would develop a new text for "core provisions", to be submitted to a special commission in the first half of 2003, with a diplomatic conference possibly to follow later in the year. The status of intellectual property is not clear, but may be excluded from these core provisions.

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