



ADVANCING INDUSTRY'S VIEW ON INTELLECTUAL PROPERTY SINCE 1920

TRENDS & EVENTS

Intellectual Property:
Current Events and
Future Prospects

December 2010



The Trade Marks Patents and Designs Federation as it was called from inception until 2009, when it changed its operating name to IP Federation, was founded in 1920 in order to coordinate 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 thirty-seven members, among which are many of the largest companies in the UK, as well as smaller companies. *[For a list of full 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 professional input on intellectual property matters to the CBI, as well as representing it in meetings of BUSINESS EUROPE, the Confederation of European Business (formerly UNICE), concerning intellectual property. The IP Federation is also an invited observer at diplomatic conferences and meetings of standing committees of the World Intellectual Property Organisation (WIPO).

Contacts

The Federation maintains good contacts with the UK Intellectual Property Office, and members of its Council and committees participate in several focus groups and practice working groups which provide opinion to the UK Government and its agencies on intellectual property matters. The IP Federation is also represented on other bodies which advise the European Patent Office. In the UK, it is represented on the user committees of the Patents Court and the Patents County Court.

The IP Federation also maintains contacts with parliamentarians both in Westminster and in the European Parliament. In the UK, it has close contacts with the Chartered Institute of Patent Attorneys (CIPA), the Institute of Trade Mark Attorneys (ITMA) and the Intellectual Property Institute; it is a member of IPAN (the IP Awareness Network). Internationally, The IP Federation exchanges views and maintains good contacts with similar IP user organisations in other countries, notably in Japan and the USA.

Membership

The Federation has a Council, which agrees IP Federation policy, and a number of technical committees, to which detailed consideration of issues may be delegated. Voting members are entitled to a seat on Council, as well as any or all of the committees. Committee members can join any or all of the committees.

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PRESIDENT'S INTRODUCTION

I am very pleased to introduce the December 2010 edition of *Trends and Events*, the summary of the activities of the IP Federation.

There has been a short break in publication, with the last edition appearing in 2006/2007. I hope to restore *Trends and Events* to an annual publication cycle.

In the 3 years since Mike Barlow wrote the President's Introduction to the last edition, so many things have changed in the IP world and beyond. At that time, the Gowers Report on Intellectual Property¹ had just been published, recommending amongst other things the creation of the Standing Advisory Board on IP (SABIP). Since then, SABIP has been and gone, while other recommendations have not been acted on.

There was concern at that time about an inexorable rise in patent filings, and whether patent offices would be able to cope with the workload. The financial crisis and associated economic downturn have eased that concern recently, but changed the face of many companies for a long time to come, if not forced them out of business altogether. Indeed, Mervyn King, Governor of the Bank of England, said recently that there is "a sober decade" ahead.

In the area of European patent policy, events have moved very quickly since the last edition. The London Agreement on the translation of European Patents has come into force, and is saving applicants money every day. A great deal of work has been done by the EU Commission and others around the creation of an EU (formerly Community) Patent, and a unified European and EU Patents Court (EEUPC). At the time of writing, the EU Patent proposal has just failed to reach consensus amongst the 27 EU Member States at the Competitiveness Council Meeting, and we wait to see whether Enhanced Cooperation will be used by a smaller number of countries to progress the proposal. In relation to the EEUPC, the final opinion of the Court of Justice of the EU on whether the proposal is compatible with the EU treaties is awaited, and the future of both these proposals looks uncertain.

At the EPO, a new President, Benoît Battistelli, was appointed in July. He has already shown an encouraging interest in engaging with users of the European patent system, and of maintaining the quality of European patents without increased costs. Similarly, in the UK the new Comptroller and Chief Executive of the Intellectual Property Office (IPO), John Alty, has made a promising start in engaging with users of the IPO.

Closer to home, significant changes have also taken place. The Federation changed its name from the Trademarks, Patents and Designs Federation (TMPDF) to the IP Federation at the beginning of 2009. I am indebted to the immediate past-President, Roger Burt, for setting up a Governance Committee, which works alongside the President in the running of the Federation, and makes the role of President a much more manageable task. More recently, the Federation appointed a new Company Secretary, David England, who was already familiar to many members as the former representative of BTG on the Federation's Patents Committee. David has already made a great contribution to the life of the Federation. We wish

¹ Gowers, A., November 1996. *Gowers Review of Intellectual Property* [online]. HM Treasury. Available at: http://www.hm-treasury.gov.uk/gowers_review_index.htm

the former Company Secretary, Sheila Draper, well for the future, and thank her for all her contributions to the Federation.

Looking ahead, I expect next year to be no less busy than this. In addition to potentially groundbreaking changes at EU level around the EU Patent and the EEUPC, the UK Government has just announced (4 November) a Review of Intellectual Property and Growth, to report by April 2011. Further, the EU Commission has just started to consult on a Single Market Act, a package of proposed measures to boost the European economy and create jobs: the first three proposals are IP-related. The Federation is ready and willing to contribute fully to these initiatives, and the other issues that will come along in 2011, to represent the consensus view of its UK innovative industry members in the clearest, most balanced way it can.

Finally, I would like to thank the following contributors to this edition for giving up their time to pass on their expertise to us:

Carol Arnold, Roger Burt, David England, Tim Frain, David Lewis, Mike Jewess, Scott Roberts and Alec Sugden.

James Hayles
President
22 November 2010

IP FEDERATION

The Federation's achievements

One of our members asked a couple of months ago whether we could identify recent lobbying achievements of the IP Federation.

Without wishing to sound too glib, we can say that in many ways our greatest achievement is being invited to participate in the discussions - with the Intellectual Property Office in the UK, with the EPO through the Standing Advisory Committee before the European Patent Office (SACEPO) etc., with the judges, with the European Commission, etc.

On top of this we have a close relationship with the IPO Chief Executive, the CBI and BUSINESSEUROPE, where we are known and respected for the quality of our input. The fact that so many prominent people are prepared to address our Council meetings is evidence of this. As another of our members has put it:

Generally speaking we have the clout to get the movers and shakers to come along periodically.

However, an important point to understand is that in general IP lobbying and influencing is a long term activity - especially as we do not tend to get involved in short-term single issue items of a sectoral nature. Notwithstanding this we have had a number of achievements including:

- Getting Gowers to recommend that the Government took IP seriously. Arguably it is down to us that we have a Minister for IP.
- Stopping the Government capitulating on certain elements of the Community Patents Court - especially the opt-out.
- Having real impact on thinking by the world's five major intellectual property offices, the so-called "IP5", through the trilateral IP offices.

The Federation's campaigns

Some of the more specific campaigns in which the Federation has lobbied over the last fifteen years are set out below. These are all cases of success or partial success in which the Federation had a role, in most cases a much more prominent one than other trade associations (the professional bodies are often, and properly, neutral on such issues).

- (i) **Against UK and EU second-tier patent rights, which if introduced would have wasted time and money and generally been anti-competitive**

In the late 1990s the then UK Patent Office was encouraging the minister (then Kim Howells) in that direction, but a Federation delegation put him right. The Federation also lobbied the Commission. The Federation renewed its lobbying in its response to the Gowers consultation. It now seems that the threat of UK and EU second-tier patent rights has disappeared for the foreseeable future.

- (ii) **For ratification of the London Translation Agreement**

The Federation continuously told the UK Patent Office how important this was, and wrote in 2003 to M. Pompidou, the Head of the EPO, who responded warmly. The Agreement was ratified by enough countries to bring it into force about three years ago, and some members of the Federation are now saving around £6000 for every invention they patent in Europe. Further ratifications would save more money.

- (iii) **Against overly generalised Commission views on competition law**

e.g. in *Arco v. Repsol* and *IMS Health*, in both of which the Commission responded in press statements to very special facts, not with considered argument but with sweeping generalisations that could affect the normal business of Federation members. The Commission did not persist with such generalisations in either case.

- (iv) **For repeal of the antiquated and troublesome competition law Sections 44 and 45 of the Patents Act 1977**

These were repealed with effect from 1 March 2000 after a brief prepared by the Federation was submitted via CBI.

- (v) **For improved powers of trade mark owners to block the registration of company names similar to their marks**

especially by fraudsters seeking to deceive the public. In lobbying the DTI (as it then was) the Federation did not achieve as much as it would have wished in the Companies Act 2006, but it did achieve the appointment of someone from the Trade Marks Registry as the adjudicator of disputes of this sort, and the operation of the system has in the event been quite favourable to trade mark owners.

- (vi) **For Sections 22 and 23 of the Patents Act relating to National Security to apply in such a way as to cease to impose pointless restrictions on non-defence companies and not to be an unnecessary burden on defence companies**

A satisfactory amendment of these sections was made in the Patents Act 2004 following a meeting with MoD in which the industrial lead was taken by two members of the Federation Council.

- (vii) **For an appropriate definition of corporate practice in the Rules of Conduct for UK Patent Attorneys**

The code, which came into force in 2010, contained wording proposed by the Federation without which UK companies with in-house IP departments would now be in a difficult situation.

Work in progress

Work in progress includes the following:

- (viii) **For improved patent search quality, in the interests both of patentees and potential infringers of patents**

This was first raised by the Federation at a major international conference in 2007,

has been taken up by the International Chamber of Commerce, and is still the subject of active international debate.

- (ix) **For a high quality EU patent**
This must be of use to industry with sensible language provisions.

- (x) **For a high quality EEUPC**
The European and European Union Patents Court (EEUPC) must also be of use to industry and provide high quality judgements.

- (xi) **For appropriate provisions for privilege in the proposed EEUPC**
Without this, the usefulness of the EEUPC is likely to be reduced.

- (xii) **For a realistic approach to R&D cooperation to be reflected in the R&D block exemption**
This is currently under review by the Commission.

Benefits of being in the Federation

None of the above could be achieved without our members of course. As set out on the Federation's website, membership benefits include:

- Authoritative representation at national and international level
- Access to legislators and officials
- A non-sectoral forum to exchange ideas and opinions on key intellectual property issues as they relate to IP
- Excellent networking and learning opportunities, for new and established IP attorneys
- Advance notice of forthcoming legislative proposals and practice changes
- Regular alerting service, newsletters and policy papers

Thus at the start of its tenth decade of representing the IP interests of industry, the IP Federation is as active as ever in its aim to bring about improvements to intellectual property rights systems throughout the world, to the advantage not only to industry, but in advancement of economic development generally.

The Federation on the Web

One of the IP Federation's chief lobbying tools is its policy papers. These are all available on the website at:

<http://www.ipfederation.com>

The policy papers on the website represent the views of the innovative and influential companies which are members of the Federation. Members are consulted on their views and opinions and encouraged to debate and explore issues of practice and policy. Only after consensus is achieved are external bodies informed of the collective views of industry via the Federation.

The policy papers are also submitted to the relevant third party consultative bodies (e.g. the Standing Advisory Committee before the European Patent Office (SACEPO), and the Patent Practice Working Group (PPWG)) at the:

- European Patent Office
- OHIM
- WIPO and
- UK Intellectual Property Office

as well as, in appropriate cases:

- BUSINESSEUROPE
- the European Commission
- the judges

Policy papers 2010

Policy papers submitted so far in 2010 are as follows:

PP 1/10 - UK Designs to IPO
UK Design rights: registered and unregistered right

PP 2/10 - Trade Mark system in Europe
The Overall Functioning of the Trade Mark System in Europe

PP 3/10 - EPO Procedural efficiency
EPO papers CA/162/09 and CA/03/10

PP 4A/10 - EPO: Amendments to the Implementing Regulations - Rule 71 EPC
Comments on proposed amendments to Rule 71 EPC - Examination procedure

PP 5/10 - Preliminary set of provisions for the Rules of Procedure of the European & EU Patents Court

General comments on the preliminary set of provisions for the Rules of Procedure of the European and EU Patents Court (EEUPC)

PP 6/10 - Privilege in the EEUPC
Privilege, including attorney-client privilege and litigation privilege, in the preliminary set of provisions for the Rules of Procedure of the European and EU Patents Court (EEUPC)

PP 7/10 - R & D Block Exemption Regulation
Comments on the Draft Commission Regulation on R & D Agreements and the Guidelines on Horizontal Cooperation Agreements

PP 8/10 - India compulsory licensing consultation
Response to the Indian Government's Discussion Paper dealing with the subject of Compulsory Licensing of Patents

PP 9/10 - Proposed Council Regulation on the translation arrangements for the EU Patent
Statement in support of the principles expressed in the proposal for a Council Regulation (EU) on the translation arrangements for the European Union patent

Policy papers 2009

Policy papers submitted in 2009 include the following:

PP 01/09 - DG COMP Pharmaceutical sector enquiry draft report
European Commission - Pharmaceutical Sector Inquiry - Preliminary Report

PP 02/09 - PCT enhancement discussion paper
Patent Cooperation Treaty (PCT): Enhancing the value of international search and examination

PP 03/09 - EPO proposals on divisional applications
EPO Proposals concerning Divisional Applications

PP 04 /09 - EPO proposals on multiple independent claims
EPO proposals on Rule 62a EPC

PP 05/09 - Consultation on Copyright strategy
A copyright agenda for the 21st century

PP 07/09 - Patent litigation system for Europe: draft EEUPC and statute

Draft Agreement on the European and Community Patents Court and Draft Statute

PP 08/09 - G3/08 EPO *amicus curiae*

Written statement following the referral of points of law concerning the patentability of software to the Enlarged Board of Appeal

PP 09/09 - Council Regulation on the Community Patent

Revised EU Presidency Proposal

PP 11/09 - EPO deferred examination

DK DE NL proposal re deferred examination and search

PP 12/09 - Brussels Convention:

Commission Green Paper June 2009

Review of Council Regulation 44/2001 (Brussels Regulation) - section 4, Industrial Property

PP 14/09 - Registry Practice Working

Group of the IPO: replacement by online forum

Dissolution of the Registry Practice Working Group

PP 15/09 - EU Unified Patent Litigation System: draft Rules of Procedure for the European & Community Patent Court

Draft Agreement on the European and Community Patents Court

PP 16/09 - Reform of the Patent

Cooperation Treaty (PCT): Informal IPO Consultation

Working paper from the Commission Services on the Draft Rules of Procedure for the Unified (European) Patent Litigation System (UPLS): Part 1 - Procedure before the Court of First Instance

PP 20/09 - Competitiveness Council conclusions concerning the Enhancement of the Patent System in Europe

Press release

Social networking

As well as having its own website, the Federation has web presence through social networking sites, with a page on Facebook and a profile on LinkedIn. Why not become a fan of the IP Federation today?

COMPETITION

Draft European Commission Block Exemption Regulation on Research and Development Agreements

Article 101(1) of the Treaty on the Functioning of the European Union (TFEU)² identifies in general terms classes of agreements that are incompatible with the internal market, subject to the possibility of exemption under Article 101(3), e.g. where the agreement promotes technical or economic progress. If an agreement is "caught" by Article 101(1) but not exempted under Article 101(3), then it is unenforceable.

Before 1 May 2004 (*Trends and Events*, 2002/3, page 27), the European Commission had the exclusive authority to grant exemptions under Article 101(3). This meant that an agreement not notified to the Commission and caught by Article 101(1) was unenforceable in a national Court, even if the Commission would have

exempted it on its merits; in effect, full justice was not obtainable from the national Courts. This risk, combined with the generality of the wording of Article 101(1), led companies to overwhelm the Commission with notifications of agreements requesting exemption. In an attempt to stem this tide of notifications, the Commission issued "block exemption" Regulations (BERs) for entire categories of agreements.

Since 1 May 2004, national Courts and national competition authorities have had the authority to grant exemptions under Article 101(3), including with retrospective effect. It is doubtful that BERs would have been invented had that always been the case, and it is arguable that the BERs are unnecessary now that full justice is obtainable from the national Courts at the time a party wishes to enforce an agreement.

However, instead of scrapping the BERs, the Commission have taken a middle

² Article 101 of the TFEU corresponds to Article 85, later renumbered as 81, of the Treaty of Rome, which the TFEU supersedes. In the historical discussion above, "101" is used for the sake of simplicity, despite any anachronism.

course, continuing with periodic revision and reissue of BERs, but in general being less generous in the range of agreements covered. The two BERs most relevant to Federation Members before 1 May 2004 were Regulation 240/96 on technology transfer agreements and Regulation 2659/2000 on research and development agreements.

When Regulation 240/96 was replaced by Regulation 772/2004, the Commission introduced 20% and 30% combined market share tests (previously absent) even for the simplest licensing agreement (*Trends and Events*, 2003/2004, pages 23-26). These market share tests are difficult to apply, and unless both parties to an agreement are small, it may be better to justify an agreement under Article 101 than to rely on the block-exemption.

Regulation 2659/2000 expires on 31 December 2010, and accordingly the Commission issued in spring 2010 a draft replacement for it, inviting comment. This block exemption (like its predecessor, Regulation 418/85) was always difficult to rely on, for instance because the parties need to test whether they are "competing undertakings" and, if they are, to pass a 25% combined market share test. Nevertheless, the Federation thought it worth while to comment on any changes in the new draft that restricted the scope of the block exemption. Even companies who do not expect to argue that an agreement falls within the exemption need to fear adverse inferences from block exemptions in a Court's Article 101 analysis. More specifically, they need to fear that an inexperienced national Court might think that any provision which is a bar to block exemption must be a bar to an individual exemption.

The Federation in its comments focused on four changes in the draft. Two of these (in Articles 3.3 and 5(e)) may have been inadvertent in their effects. Two were clearly both intentional and substantive:-

(i) An explicit statement in Regulation 2659/2000 relating to the permissibility of technical field of use restrictions between non-competitors was removed.

(ii) A new condition for exemption (Article 3.2) was introduced reading as follows:

"The parties must agree that prior to starting the research and development all the parties will disclose all their existing and pending intellectual property rights in as far as they are relevant for the exploitation of the results by the other parties."

On (i), the Federation stated its opinion that such a restriction did not infringe Article 101(1), noted that such a restriction was permitted even between competitors under Regulation 772/2004, and urged reinstatement of the removed sentence.

On (ii), it can be speculated that the Commission was concerned by the possibilities of "patent ambush" in R&D cooperation analogous to "patent ambush" in standards organisations. However, the Federation argued that any such analogy would be invalid, both (a) **legally** and (b) **practically**, as follows:-

(a) **Legally**, standards-setting raises issues under TFEU Article 102 (dealing with abuse of dominant positions), whereas an R&D cooperation does not. Companies making products or services affected by a standard have *no realistic option* but to comply with it, so that failure by others to disclose essential patents is very serious for them. In contrast, an R&D cooperation is *voluntarily* entered into by the parties, so that any party who is not satisfied by the terms available from the other party or parties on "existing and pending intellectual property rights" can simply "walk away" from the negotiation and seek new collaborators.

(b) **Practically**, prior disclosure of "existing and pending intellectual property rights" is generally unworkable in the context of R&D cooperation. R&D cooperation, unlike standards-setting, is an excursion into the unknown, concerned with generating significant new knowledge. Therefore, it is logically impossible to say with any certainty at the outset whether or not exploitation of the results will require licences under existing or pending

patents owned by the parties. *A clause in an agreement as required by Article 3.2 would in practice be likely to be inadvertently breached. Accordingly, Article 3.2 is undesirable because it would lead to disputes and legal uncertainty.*

The Federation concluded that the issue of "existing and pending intellectual property rights" should be left to the parties to work out their own solutions, and urged that Article 3.2 should be deleted.

A redraft from the Commission is awaited.

COPYRIGHT, TRADE MARKS AND DESIGNS

Copyright Levies

EU

On 7 January 2010 talks aimed at modernising the system of private copy levies in Europe broke down when industry called time. The discussions, dating back to July 2008, had been held in the context of a 'Stakeholder Platform' facilitated by the European Commission involving Collecting Societies and industry representatives, with BEUC (the European consumer organisation) having observer status. After 18 months, as far as industry was concerned, the talks had failed to deliver any concrete results and there was no prospect even of agreeing a way forward.

Industry had been looking for an EU Internal Market approach, whereas the Collecting Societies had no desire to depart from the current patchwork of national systems. This caused an impasse.

The Stakeholder Platform was also perceived as a politically convenient way of 'burying' the levies topic. There was a wide misconception in other parts of the Commission and in national ministries that real progress was being made. The talks were infamously behind closed doors, and so as long as they continued there was no prospect of the Commission, or even national ministries, starting any separate initiative. For this reason it suited Collecting Societies to (1) procrastinate (they had nothing to lose by maintaining the status quo), (2) call for the stakeholder forum to continue, and (3) blame industry for the failure.

Industry argued that failure of the Stakeholder Platform clearly demonstrated that there are fundamental tensions in the private copy levy system which cannot simply be resolved by the

stakeholders themselves, and therefore urged political and legislative action at European level.

In the mean time there has been a new Commission and, specifically, a new French Commissioner, Michel Barnier in charge of DG Internal Market (MARKT), with responsibility for copyright (and hence the Levies topic). France is notoriously one of the strongest supporters of the Private Copy Levy system, with strong political and cultural motivations, and it is becoming noticeably more difficult to get any political traction on levies within the Commission. There do appear to be some internal tensions with other directorates who take a different view, but other parts of the Commission have not had much influence and other Commissioners have shown little appetite to confront the Commission, at least publicly.

Against this pessimistic political backdrop, Industry's efforts in recent months have focussed primarily on trying to get Levies back on the EU policy / legislative agenda during 2010. Three key vehicles have been identified to achieve this end, namely (1) the Single Market Act expected in October, (2) the Collective Rights Management framework directive expected early in 2011, and (3) the "Application Report" (essentially a 3-yearly review procedure) prescribed in Article 12 of the Copyright Directive 2001/29/EC (the one and only previous Application Report was in 2007).

In its Communication "Towards a Single Market Act" published on 27 October 2010, the European Commission acknowledges that levies are an obstacle to the internal market. Although no specific

actions are proposed, the Commission says it will “take account of the dialogue between interested parties in order to find paths to a sound solution.”

In CJEU case C-467/08 (*Padawan v. SGAE*) published on 21 October 2010, it was held that ‘fair compensation’ prescribed in the 2001 Copyright Directive is an autonomous concept of EU law and has to be interpreted uniformly in Member States that have a private copy exception. This does not seem to mean harmonised tariffs as it is left open for Member States to determine the details of fair compensation arrangements. Importantly, the criterion of ‘harm’ was held to be the right basis for calculating the tariff amount. At the heart of the case was the issue of business / professional use, and the court held that the indiscriminate application of levies on equipment and media not made available to private users and clearly reserved for uses other than private copying is not compatible with EU law. On the other hand devices made available to natural persons for private purposes and *capable* of copying are presumed to be used for private copying, even if they are not *actually* used for private copying. However, actual private copy use would still seem to be relevant in calculating the amount of levy, in view of the harm-based approach endorsed by the court in this case.

UK

The IPO and Economic and Social Research Council (ESRC) are jointly funding a 12-month academic research project to examine the impact of copyright levy systems. The project specification is available at:

http://www.esrcsocietytoday.ac.uk/ESRCInfoCentre/opportunities/place ment/IPO_2010.aspx

In August the project was awarded to Professor Martin Kretschmer of Bournemouth University. Martin is Professor of Information Jurisprudence and Director of the Centre for Intellectual Property Policy & Management (CIPPM) at Bournemouth University Executive Business Centre.

The project is a ‘Placement Fellowship’ which means that Professor Kretschmer will be based at the IPO several days a week. The study, which started in September, was originally envisaged to take up to 12 months, but it is anticipated the final report may be ready by summer 2011.

It is believed the IPO is intending to set up a Project Board, which would include industry representation, to help steer the project.

It is understood that this initiative does not foreshadow a change in UK policy, but more to provide a more concrete empirical base for the UK’s historical “no-levy” position in the face of persistent pressure from pro-levy interests, and in case there may be future moves within the EU towards harmonisation.

As the Copyright Levy topic is somewhat sector-specific, the Federation has tended to endorse positions and actions of Intellect (the UK trade association representing the information and communication technology (ICT) sector) having members in common.

Trade Marks

At the behest of the European Commission, a review is being undertaken by the Max Planck Institute into the workings of the Trade Mark Regulation and the Office for Harmonisation of the Internal Market. The Federation made submissions through BUSINESSEUROPE on the question relating to what geographical area was sufficient to establish genuine use - maintaining that it was a fundamental precept of the common market that genuine use in a single member state was effectively use throughout the European

Union, pointing out that to find otherwise would disadvantage SME’s. The Federation also opposed a suggestion that 50% of renewal fees should be given to national offices since we could anticipate that such income would be diverted to purposes not directly connected with Community Trade Marks. Unlike the situation with the EPO, national offices have no financial exposure to expenditure incurred by OHIM so carry no financial responsibilities deserving of such an income from OHIM. The Federation es-

poused the proposal to return excess cash arising from the fee levels having been set too high to the respective trade mark owners. Whilst the Institute is due to report to the European Commission in November, the Report is unlikely to be published before Spring 2011. However, Commissioner Barnier has recently supported the concept of genuine use not being dependent on national boundaries. The Report is likely to be the prime concern of the new President of OHIM, Antonio Campinos.

UK

At home, the IPO has caused a minor storm by deciding, without consultation, that henceforth the time periods for lodging an Opposition should be calculated by including the publication date and thus end a day earlier than has been the custom and practice in the past rather than adjusting the rules to accommodate past procedure. So make sure that "last minute" oppositions are filed within the new time period and hope that the IPO electronic systems have not been swamped or otherwise become unavailable. On a happier note, the Office is updating its electronic systems by installing the programs used by OHIM for at least a major part of its operations. This is to be welcomed since it should mean that the "look and feel" of the UK system will be identical with that of OHIM and that the new system will not require extended testing and development. It is not clear as to why the complete OHIM system is not being adopted. As a result of the change, it is proposed to drop the "opting in" system of notifying the owners of Community Trade Marks when conflicting UK applications are filed. However, electronic "caveats" should still be available.

European case law

Questions relating to what constitutes use of a registered trade mark have occupied the Court of Justice of the European Union (CJEU, previously the European Court of Justice) in recent months. Whilst decisions of Belgian and Hungarian Courts holding that use in more than one member state is necessary to establish genuine use have yet to reach the CJEU, that Court's decisions in various other cases have addressed the problem arising

from use of a registered trade mark as a keyword in a search engine.

The vexed question of whether use of a registered trade mark as a keyword on a search engine website constitutes infringing use was at least partially resolved by the decisions of the CJEU in Cases C-236 to 238/08 (*Google France v. Luis Vuitton*) in which Google operated its AdWords system allowing advertisers to bid for keywords not owned by the advertiser with the effect that their advertisements (Sponsored Links) were displayed to internet users searching for those keywords (as opposed to hidden keywords).

The Court found that Google did not use the keyword trade marks in the course of trade by displaying the keywords and the associated advertisement as a result of their commercial activities even though they created the technical conditions necessary for the use of the trade mark and was even paid for the service since this was not use of the trade mark. So long as the host did not play an active role in formulating the advertisement, it was liable until such time as it obtained knowledge of the unlawful nature of the advertiser's activities and failed to act expeditiously to take down the data concerned. That the trade mark had reputation did not affect the situation.

However, the Court also found that the advertiser, by using the keyword referencing service, was seeking to gain economic advantage by directing the enquiry to the advertiser's website and, as such, infringed trade mark rights. Such use was use in relation to the goods or services of its competitor. This held whether the goods or services were those of the advertiser or were misleading as to the origin of the goods or services by making the normally informed and reasonably attentive internet user believe that the goods or services originated from the trade mark owner or an undertaking economically connected to the trade mark owner. The use by the advertiser could also adversely affect the proprietor's use of the trade mark in sales promotions or as an instrument of commercial strategy - but would not have an adverse affect on the advertising function of the trade mark.

The judgement was confirmed and extended to a situation in which the keyword was similar to a composite registered trade mark BergSpechte Outdoor Reisen und Alpenschule Edi Koblmüller in Case C-278/08 (Die BergSpechte Outdoor Reisen v. Günter Guni, trekking.at Reisen) where BergSpechte (and/or Edi Koblmüller) were the offending keywords.

In Case C-558/08 (Portakabin v. Prima-kabin) the Court of Justice expanded on the Google France Case and Die BergSpechte Case and held that, following a keyword link to a website, it was permissible to use another person's trade mark where it was accompanied by wording that the goods in question were being resold (e.g. "used" or "second hand"). However, unauthorised removal or obliteration of a trade mark and replacement with another trade mark was not normally a legitimate reason for permitting keyword advertising in conflict with the trade mark owner's rights. Further, trade mark rights could be infringed by keyword advertising where resale activities related not only to genuine goods but also to third party goods where their volume, presentation or poor quality risks seriously damaging the image that the trade mark Proprietor has succeeded in creating for its trade mark.

In Case C-301/07 (Pago v. Tirolmilch) the Court of Justice held - in this Case having a bearing on what constitutes "genuine use" - that in a situation where it was claimed that a trade mark had a reputation with regard to Art. 9(1)(c) CTMR it was sufficient that the reputation only extended to one member state.

In Case C-324/08 (Makro v. Diesel) the Court of Justice held that for exhaustion of trade mark rights to arise, it must be shown that the trade mark Proprietor had renounced its exclusive rights.

In Case C-408/08 (Lancome v. OHIM; CMS) the Court of Justice upheld the right of a law firm (as a legal person) to bring a cancellation action under Art.55(1)(a) CTMR on the ground that a mark consisted exclusively of indications which may serve to designate certain characteristics of the goods in question.

In Case C-51/09 (Barbara Becker v. OHIM; Harman International Industries) the

Court of Justice held that there was no likelihood of confusion between the composite mark BARBARA BECKER and the mark BECKER on the basis that Becker was a relatively common surname so the addition of the first name may conceptually affect the perception of the public.

In Case C-127/09 (Coty v. Simex) the Court of Justice held that perfume tester bottles marked "Demonstration" and "Not for Sale" which remained the property of Coty and which could be recalled at any time had not been put on the (EEA) market by the Proprietor even though it was possible to acquire them by purchase from an authorised dealer.

In Case C-487/07 (L'Oréal v. Bellure) the ECJ (as it then was) held that all the functions of a trade mark are protected by the Directive and the Regulation including the use of the trade mark in a comparison list - in this case "smell-alike" together with price comparisons since an advantage was gained, even though there was unlikely to be confusion. With reluctance, the Court of Appeal implemented the ECJ judgement and found infringement even though there were reservations related to "free speech" and competition.

Two cases of interest on the way to the CJEU are Marks and Spencer v. Interflora (Case C-323/09) and Specsavers v. Asda. In the first of these, Marks and Spencer had purchased as a keyword the trade mark INTERFLORA and used it as a Sponsored Link to its own website providing a flower delivery service when the search term Interflora was entered into Google. In the second case, Assad's promotional literature included the phrases "Be a real spec saver at Asda" and "Spec savings at Asda". The High Court found that the first slogan constituted an infringing advantage.

In another case headed for the CJEU, CIPA are seeking guidance on the practice relating to specifying Class headings in the list of goods and services. In a UK registration, if a Class heading is listed, only the goods / services expressly listed in the Nice Classification heading are considered to be protected whereas OHIM considers that all of the goods / services that might fall within the relevant Class

are protected. The reference to the CJEU (IP TRANSLATOR) seeks guidance on whether it is necessary to identify the goods / services of a Community Trade Mark Application with clarity and precision and, if so, to what degree; is it permissible to use Class headings; and is it necessary or permissible to interpret Class headings in line with practice at OHIM? Pending a ruling by the CJEU it has been suggested that specifications of goods / services should be a combination of Class headings and the specific goods / services of interest. However, the requirement to use the trade mark in relation to the goods / services in order to maintain validity should not be overlooked.

Other items

Threats actions are under consideration again following a High Court decision in *Best Buy v. Worldwide Sales Corporation España* relating to the Community Trade Mark BEST BUY where Worldwide in what were found to be "without prejudice" discussions relating to a possible co-existence agreement asked for an undertaking not to use BEST BUY in Europe. The High Court held that - in the first English case involving a CTM - that the request for an undertaking amounted to a threat and fell within its jurisdiction. However, the evidence of the threat was inadmissible by virtue of the "without prejudice" provision.

The Olympic and Paralympic Games in London 2012 are almost upon us along with a plethora of regulations designed to maximise income from "selling" the Olympic brand to sponsors and merchandising licensees. Whilst most of the marks involved will be registered trade marks the concept of what constitutes infringement goes well beyond that of the Trade Marks Act. As a condition of being awarded the Games it was necessary to provide additional legislation in the form

of The Olympic Symbol (Protection) Act 1995 and the London Olympic Games and Paralympic Games Act 2006. They give exclusive rights to the British Olympic Association and cover all forms of the Olympic Symbol and Words and prohibit any unauthorised association between people, goods and services and London 2012. It can amount to a criminal offence to apply a controlled representation to goods or to possess controlled representations for use in committing one of the other offences. In addition, there will be further regulations prohibiting unauthorised advertising and trading around the venues in order to prevent ambush marketing in any form. So avoid any skilful or covert allusion to London 2012 for the next two years.

The Company Names Tribunal has now been up and running, staffed by the IPO, for two years and whilst not widely used has managed to right some manifest wrongs which otherwise might have caused difficulties for various high reputation companies by way of removing "opportunistic" company names from the Register. If it can be shown (by virtue of Art. 69 of the Companies Act 2006) that the objectionable name is the same as a name associated with the name of a company in which goodwill resides or that the objectionable name is sufficiently similar to such a name as to mislead by suggesting a connection between the two then the Tribunal may require the objectionable name to be changed. The big brands - which were the main targets of the objectionable names - have used the provisions to good effect once the requirements of the Company Names Adjudicator Rules 2008 had been understood by the representatives. Of particular note is that of the 131 objections lodged so far, only 16 were defended and of those, only six objections were rejected.

Future of Design Law in UK

The Federation and other representative organisations were consulted on the future of UK design law at the Marks and Designs Forum of the UK's Intellectual Property Office in March 2010. The IPO had noted the overlap of protection between UK and EU rights, and also had

raised the possibility of criminal penalties for infringement of registered and un-registered rights.

The Federation made the following submissions:

- (A) That UK registered designs should be retained, despite the availability of equivalent EU-wide protection via OHIM.

The Federation's Members are primarily larger companies, but the Federation considers that the interests of SMEs, who are the main users of the UK system, should be given proper weight.

- (B1) That UK unregistered design right (UDR) should "not subsist in features of appearance of a product which are solely dictated by its technical function".

The words quoted would precisely align the law on UK unregistered design right with the law on -

- UK registered designs,
- EU registered designs, and
- EU unregistered design right -

and would remove or at least reduce UK UDR protection for technically functional items such as aircraft wings, tools, and engines, which then would have to be protected exclusively or primarily by patents or confidentiality. This policy position is consistent with the Federation's long-standing opposition to proposed second-tier patent rights protecting inventions which have lower inventive merit than those protectable by normal patents; these, if introduced, would reward originators disproportionately to their contribution to the art. The Federation disputes the view that UDR for functional items or such second-tier patents benefit, or would benefit, "SMEs who cannot afford patents for their minor innovations": large companies generate even more minor innovations than SMEs and their minor innovations are protected, or would be protected, by such rights; and all rights of third parties inhibit the commercial activities of any company, large or small. All participants in the marketplace and the wider economy are benefited, overall, by protection proportionate to contribution to the art, and are damaged by disproportionate protection.³

³ "Balance of the interests of originators and imitators and the wider public" is a continuing feature of Federation policy (see, for instance, *Trends and Events*, 2004/2005, President's Introduction).

- (B2) That the term of the UK UDR (not more than 10 years from the end of the calendar year of the first sale of articles made to the design) should continue to exceed that of European Union UDR (up to 3 years from being first made available to the public [as defined]).

In relation to designs falling outside the limitation proposed in (B1), the UK term does not seem to be disproportionate, for alternatives to non-functional design features are technically available. In principle, the current discrepancy of term divides the common market within the EU, but the benefit (especially to SMEs) of the UK UDR system as a backup to registered design protection is considerable and justifiable.

- (C) That criminal penalties should not be introduced for infringement of registered or unregistered designs.

Criminal penalties are appropriate, for instance, when someone pirates a CD and its packaging, or counterfeits branded clothing. However, infringement of registered or unregistered designs of itself does not imply counterfeiting or piracy. Analogies with continental jurisdictions on criminal penalties are misleading; some unlike UK have criminal penalties on patent infringement, but the consequences are not what they would be in the aggressive UK system of litigation. With disparate criminal regimes, harmonisation on paper between IP statutes of different countries does not mean harmonisation in practice in the Courts.

(The general issue of criminal penalties recurs, as in 2009 when Trevor Baylis, the inventor of the clockwork radio, prominently urged UK criminal penalties for patent infringement, which the Federation has always strongly opposed. Arguments against such penalties, even if the infringer is aware of the patent, are as follows: (i) patent infringement of itself does not imply counterfeiting or piracy, (ii) valid patent scope is a debatable matter, and (iii) criminal penalties for patent infringement would encourage "troll" activity in UK.)

EUROPEAN ISSUES

Review of EU Customs Anti-Counterfeiting Regulation

The Commission was instructed by the EU Council in 2008 to consider improvements to the current regulation (EC 1383/2003) under which customs authorities suspend goods for import, export or in transit when they appear to be counterfeit or pirated, or to otherwise infringe an IP right. The Council was increasingly concerned about the globalisation of counterfeiting, especially of dangerous counterfeit goods, and about the sale of counterfeits over the Internet. The Commission consulted widely during the first half of 2010 and is presently considering the results. The Federation has responded in the past to similar consultations but on this occasion, BUSINESSEUROPE responded on behalf of Europe-wide industry.

In seeking views, the Commission appeared to be concerned that the regulation provides for action against goods in transit (article 1), citing concerns by India and Brazil about the suspension of medicines in transit through the EU (for example, when the medicines were patented in Europe but not in India or Brazil), and expressing a desire "to make best use of" customs resources.

The Federation has always been firm that **counterfeit** and **pirate** goods in transit should be stopped and BUSINESSEUROPE was strongly of this view.

The Commission also questioned whether the regulation should be reduced in scope, e.g., be restricted to counterfeit and pirated goods. BUSINESSEUROPE confirmed that the full range of IPRs should be covered, as at present (article 2).

The regulation contains derogations in respect of parallel trade, goods manufactured outside agreed terms, e.g., overruns, and small quantities of non-commercial nature in personal baggage (article 3). The Commission asked whether these derogations should continue. BUSINESSEUROPE said, as we have done in the past, that such derogations should **not** be provided.

Under the regulation, there is a simplified procedure for abandoning goods for de-

struction under customs control if the parties agree, thus eliminating the need to go to court, but this procedure is optional for member states (article 11). The Commission noted that this provision is not applied uniformly throughout the EU. BUSINESSEUROPE pressed for the simplified procedure to become mandatory.

The Commission pointed out that the present system is not well adapted to tackle the growing impact of sales of small consignments over the internet and proposed that a new system should be introduced, where the right holder would not be involved, while the "holder" of the goods would be invited to abandon them for destruction. "Small consignment" would have to be defined and a procedure established for when the holder of the goods did not agree to destruction. BUSINESSEUROPE suggested a modification of the simplified procedure could solve the issue of small consignments.

The attribution of storage and destruction costs to right holders has, according to the Commission, created a serious obstacle to the effectiveness of the regulation. It seems that some states have expected right holders to meet heavy charges, far more than the costs incurred by the customs authorities. The Commission also asked about the responsibilities of the various operators involved, including not only the right holders and goods owners, but also shippers, carriers, consignors, customs declarants, warehouse holders. The BUSINESSEUROPE response has been that only customs costs should be charged, costs incurred by others should be dealt with under civil or commercial law. Costs should fall on the infringer (which is not so at present). Intermediaries should provide full and immediate cooperation to avoid costs falling on them. Ordinary civil rules should apply for reimbursement of costs.

The Commission has said that, if appropriate in the light of its review, it will prepare a proposal for a replacement Regulation, as part of the Customs Action Plan to combat IPR infringement in the years up to 2012.

EU Patent Reform

On 4 December 2009 the Competitiveness Council adopted a package of measures ("Conclusions on an Enhanced patent system in Europe") setting the foundation for both an EU-wide patent and a unified patent litigation system (UPLS) in Europe.

The Council Conclusions are a significant milestone, marking political agreement on key components of both the EU Patent and UPLS projects, and giving the green light for work to continue on both dossiers.

The EU Patent

Following the entry into force of the Lisbon Treaty on 1 December 2009, the term "Community" has been replaced by "European Union" with the consequence that what we used to call the "Community Patent" now becomes the "European Union Patent", or "EU patent" for short.

On 4 December 2009 the Competitiveness Council adopted a so-called "General Approach", (16113/09 ADD1 dated 27 November 2009) establishing the basic text of the draft Regulation for the EU Patent, while leaving open the more controversial issues to do with translation arrangements, renewal fees, enhanced partnership, and accession of the EU to the EPC. Under the Regulation the EU patent would be a European patent granted by the EPO.

The Federation has maintained its long-standing support for the establishment of a satisfactory Community patent system, while expressing concern about some of the details. In particular the EU patent must offer a cost-effective and legally robust solution and must always be an optional route to national and European patents.

The legislative procedure for implementing the EU Patent Regulation is affected by the Lisbon Treaty, namely Article 118 of the Treaty on the Functioning of the European Union (TFEU), which provides a new legal basis for the creation of unitary intellectual property rights in the EU.

The EU Patent Regulation was originally envisaged as a Council Regulation without any involvement of the European

Parliament. However, under the first paragraph of Article 118 TFEU, the Regulation will now be subject to what is called the "ordinary legislative procedure" (formerly known as "co-decision") under which the European Parliament has a joint decision-making role, and voting in Council is on a qualified majority basis.

By contrast, the second paragraph of Article 118 establishes a "special legislative procedure" for deciding language arrangements, requiring *unanimity* in Council after *consulting* the European Parliament. Note that in this context the European Parliament's role is merely consultative; it does not have a joint-decision making power.

The practical consequence of all this is that the language arrangements will be dealt with in a separate regulation which would come into force simultaneously with the EU Patent Regulation. The two regulations would be subject to somewhat different legislative procedures under Article 118 TFEU, both in terms of voting in Council, and the role of the European Parliament.

At the time of writing, the EU Patent Regulation has not made any significant progress in the European Parliament.

As for the language arrangements, on 1 July 2010 the Commission presented a proposal (2010/098 dated 30.6.10) for the regulation on languages, including an impact assessment, based on the existing language regime of the EPO. The text of the proposal as well as an explanatory memo from the Commission is available at:

http://ec.europa.eu/internal_market/indprop/patent/index_en.htm

Under the Commission's proposal EU Patents will be examined and granted in one of the official languages of the EPO - English, French or German. The granted patent will be published in this language which will be the authentic text. The publication will include translations of the claims into the other two EPO official languages.

No further translations into other languages will be required from the patent proprietor except in the case of a legal dispute concerning the EU patent. In this case, the patent proprietor may be required to provide further translations at his or her own expense. Specifically, the proprietor would have to supply a copy of the patent into the language of an alleged infringer, or into the language of the court proceedings when this is different from the language of the patent, upon request.

The Commission's proposal also sets out accompanying measures intended to make the patent system more accessible to innovators. First, high quality machine translations of EU patents into all official languages of the EU. Also, in order to facilitate access to the system for applicants from countries in the EU that have a language other than English, French or German among their official languages, applicants will have the possibility to file applications in their own language. The costs for the translation into the language of proceedings of the EPO (chosen from English, French or German by the applicant) will be eligible for reimbursement.

The Federation has supported the broad thrust of the Commission proposal on the basis that the proposed language arrangements are already well established and accepted by applicants at the EPO, while expressing reservations about some of the details - policy paper PP09/10.

Not all Member States are happy with the Commission's proposal, arguing that it adopts a prejudicial approach to languages. Seeking to address this concern, Spain has made an alternative proposal (13031/10 dated 31 August 2010) for the language arrangements.

This would in effect be a 2-language system, where English is the compulsory "base" language for all cases, plus one other EU language of the applicant's choosing, filed at grant. The English language version would normally be the authentic text. The translation into the second language would have limited legal and geographical effect in analogy with Art. 70 (3) and (4) EPC.

Applicants may file first in the official language of their residence or place of business, followed by an English translation made by the applicant but with costs borne by the system. In this case applicants may use the original filing for the translation in the second EU language. In the case of a legal dispute concerning the EU patent, exactly the same provision would apply as in the Commission's proposal.

The Spanish proposal caters for converting European Patents in French or German into EU Patents, in which case these texts shall be deemed the authentic texts, with a translation into English. Member States may provide that the English text is the authentic text (except for revocation proceedings in the event of the EU patent in English conferring protection which is narrower than that conferred by it in French or German). So it seems different language texts could have effect in different Member States and the original French / German text could even trump the authenticity of the English text, implying lack of uniformity and uncertainty.

The Spanish proposal evidently has not gained much support politically, and is believed to be opposed at least by France and Germany.

In policy paper PP09/10 the Federation has expressed the view that, although, the Spanish proposal appears to depart from EPC arrangements, such a cost-effective solution would be of interest to our members.

Next steps

The intention was to secure informal agreement to the Commission's proposal at an informal Competitiveness Council meeting on 29 September 2010 and thereafter to present the proposal for adoption at the formal Competitiveness Council on 11-12 October 2010.

Reportedly, agreement was not reached on 29 September, and so it is recognised that the October Competitiveness Council may well be the end of the road for the Commission's proposal. In that case, it opens the opportunity to invoke the Enhanced Cooperation procedure where some, but not all, Member States sign up

at the outset. Others can sign up later. Enhanced cooperation has to be requested by at least 9 Member States and requires the Commission's agreement.

At the time of writing, it appears that Enhanced Cooperation is the most likely way forward. The Commission has indicated it is likely to respond positively to a request for Enhanced Cooperation.

The UK has indicated that, on present thinking, it is likely to be favourably disposed towards Enhanced Cooperation provided that the EU Patent and Litigation proposals continue to be treated as a "package" and depending on which Member States are on board. Being party to the procedure would give Member States continuing influence over the design of both systems.

Unified Patent Litigation System

The Council Conclusions of 4 December 2009 include agreement on the building blocks of a Unified Patent Litigation System (UPLS) for Europe: "Draft Agreement on the European and Community Patents Court and Draft Statute" (7928/09).

By contrast with the EU Patent dossier, there has not at this stage been agreement on a draft legal text. Although draft instruments exist, agreement was limited to some of the key principles to do with jurisdiction, composition of the court, languages, transition arrangements, review, financing, and accession.

The main component of UPLS is the Draft Agreement (7928/09 23 March 2009) which establishes the legal basis for a fundamentally new integrated, specialised and unified jurisdiction for patent-related disputes in Europe. The Agreement is in the form of an International Treaty, not a Community instrument, allowing accession by EPC Contracting States outside the EU.

The Agreement establishes a new European and EU Patents Court (EEUPC) which will comprise a Court of First Instance, a single Court of Appeal, and a Registry. The Court of First Instance will comprise a central division as well as local and regional divisions.

Although not technically an EU instru-

ment, the Draft Agreement was referred in June 2009 by the European Council to the European Court of Justice (now called the Court of Justice of the EU (CJEU) for its opinion on compatibility with the Treaties establishing the European Union. The Court's Opinion is expected towards the end of 2010 but an informal version of the Advocates General Opinion dated 2 July 2010, which was leaked in August, finds that the draft Agreement is incompatible with the treaties in four key respects, the most significant of which is probably the role of the CJEU itself in the EU patent system. The language arrangements of the central division are also criticised as affecting the rights of defence.

There is some debate about how serious these incompatibilities are, and how easily they can be remedied. In any case, the Court itself may or may not follow the Advocates General when it eventually hands down its formal Opinion.

As regards the fundamental architecture of the Court system the Federation continues to express concern about the competence of judges, composition of the panels of judges, split jurisdiction (bifurcation) meaning that infringement and validity may be heard separately by different divisions, and languages.

A preliminary set of Rules of Procedure is also already well advanced and being further developed with expert advice from judges, lawyers, patent attorneys and industry representatives with experience of patent litigation. Rules of Procedure are intended to achieve consistent handling of cases in the various divisions of the EEUPC.

The Rules of Procedure can only be adopted formally after the Agreement comes into effect. However, the Commission has listened to calls from the Federation and other users emphasising the importance of starting to work on the Rules of Procedure at an early stage so that stakeholders will have a better understanding of how the new system would work in practice.

The Federation has taken the position that it must be an overarching principle that the Rules of Procedure will be uniformly, predictably and consistently

applied by the different first instance divisions of the Court and that outcomes will be as completely fair and correct as possible - policy paper PP05/10.

The Federation is also calling for a change in the venue arrangements so that a plaintiff would be able to bring an action in the central division or for a defendant to have a case transferred to the central division if it was not started in the local or regional division of the defendant's domicile. The Federation has also maintained its position that the system should not be open to forum shopping.

The Federation has also raised specific concerns about language of proceedings, disclosure and discovery, pleadings, case management and the interim conference, oral procedure, and questioning witnesses - see policy paper PP05/10. We have welcomed the opt-out provisions for existing patents and patent application contained in the draft Agreement.

The Federation believes that the provisions for attorney-client privilege are not satisfactory because of the implications for discovery in litigation elsewhere, most notably in the US, and the Federation is urging the Commission to establish a more sensible privilege regime to protect parties in international litigation; see the separate article on Privilege on page 24 of this issue.

IPO European Patent Reform Consultation group

In the UK, the IPO has established a new European Patent Reform Consultation (EPRC) group which met for the first time on 28 September 2010. This consolidates and supersedes the previous separate Focus Groups on the Patent and Court system respectively, which were attended by invited participants in their personal capacity. The new Consultation group is intended to be more inclusive, involving representatives of a wide range of interests. The IP Federation is an invited participant at the EPRC meetings.

European Qualifying Examination (EQE)

In 2012, the EQE will have its first major change since the first examination in 1979. With effect from 2012 there will be a pre-examination which is designed to act as a filter to reduce the number of candidates sitting the full examination without sufficient preparation. The "main" examination in its new form will be held for the first time in 2013. Candidates must pass the pre-examination before being allowed to sit the main examination. The pre-examination may be taken after two years full-time training.

Those candidates who started in the profession before March 2009 will be able to sit the last of the "old" style EQE examinations in 2012 and will be able, if necessary, to resit the main examination in its new form and any accumulated passes in papers will be carried over into the new system.

The structure of the pre-examination is almost certain to be a combination of law questions and questions about aspects of claim analysis as in the mock pre-examination paper which is available for download from the EPO web site under

the EQE Announcements section. The mock paper contained 10 law questions and 10 claim analysis questions in a multiple choice format with five possible answers to each question but only one correct answer; marking of the mock paper was on the basis of 5 marks for a correct answer, minus 2 points for an incorrect answer and minus 1 point for no answer. The time allowed for the paper is four hours and it is an open book examination. The candidates should make certain they have all the necessary books with them when they sit the examination, preferably annotated to make them easy and familiar to use.

The main examination with effect from 2013 will be slightly different to that in previous years to acknowledge the pre-examination. The paper A (drafting) will last 3.5 hours but paper B (amendment) will be shorter in time at 3 hours as will paper C (opposition) at 5 hours; the paper C will almost certainly no longer include the tricky legal questions previously included. Papers D1 and D2 will be combined into a single paper D similar in form to that in the early years of the

examination. The time available for the paper D will be reduced from a total of 7 hours to 5 hours and the number of questions of the part 1 type is expected to be reduced accordingly as will the complexity of the part 2; the balance of marks between part 1 and part 2 is currently not decided.

Candidates and their supervisors need to carefully watch the EPO web site to ensure they are aware of possible changes in format to the examinations in the light of discussions following the release of the mock pre-examination paper.

European Patent Office Single Patent Process (SPP) Programme

The EPO launched the Single Patent Process (SPP) Programme in April 2009 to redesign and improve the patent and business processes of the EPO. The SPP Programme team have carried out a detailed analysis of all the current EPO processes and have used this analysis as the basis for proposals to simplify and automate the work. A major feature of SPP will be an electronic dossier for every application and the eventual phasing out of the labour-intensive maintained paper files.

The SPP Programme will necessarily change the way that the applicant interacts with the EPO. In order to obtain maximum benefit from the SPP programme the majority of communications between the examiner and the applicant should be in electronic form. The EPO is working on the basis that all filings at the office will be in electronic form from 2013 onwards.

One aim of the SPP programme is to make elements of the interaction of applicants with the EPO self-service; items such as requests for extensions of time, changes of representative and the like could be handled by an automated procedure without the need to involve EPO Formalities Officers. In 2011 the EPO wishes to have the first external users of the "Patent Workbench" with a view to having the whole process handled via the Patent Workbench by 2013, at which time there will be no new paper files created by the EPO and on-line filing by applicants will be the "only" route.

The Patent Workbench is best described as the human interface to the Single Patent Process and will be an application running on the applicant / attorneys screen with a task list and the different tools integrated and configured to enable the user to interact for each patent application with an electronic dossier and the examiner handling the dossier. Solutions to the problems of security of access, authentication, non-repudiation of communications are required although technically not difficult problems, such problems may cause business issues.

The EPO has realised that the SPP will only be successful if the applicants and their representatives fully co-operate and work with the new processes. The EPO clearly takes the position of the representatives very seriously and has set up an External Focus Group with a membership made up of professional representatives and formalities experts. The EPO has also appointed an external advisor, Mr Ruud Peters, CEO Philips Intellectual Property & Standards, to the SPP governance committee to act as a further oversight of the work.

The EPO has held two meetings with the External Focus Group (EFG). The first meeting in November 2009 was primarily to establish the EFG and to give an introduction to SPP. The outcome of the meeting from the EFG members perspective was that the SPP should lead to a reduction in administrative work for applicants and simpler procedures.

PATENTS

Patent Quality

It is a basic requirement of a good patent system that granted patents should be of high quality: i.e., the patents can be presumed valid with a high degree of certainty. Those states and regional groups that provide for search and examination before grant should carry out these procedures to a high standard; while those states that do not examine before grant should be able to rely on the international system (PCT) and/or the work of examining offices to achieve quality.

It is vital that the search and examination procedures operated by examining patent offices and authorities, and their interactions with applicants, are professional, thorough, efficient and timely. In recent years, the Federation has been concerned about lapses in the achievement of consistently adequate quality and has made a number of submissions to European and international authorities concerning the need for improvements in practice and procedure.

European Patent Office (EPO)

It has always been the expectation of users and the aim of the Office that the EPO will deliver high quality patents. The EPO has established a reputation for high quality examination work - some of the best in the world. In recent years, against a background of ever increasing workload, several initiatives have been pursued vigorously by the Office, under headings such as mastering the workload, European quality management system, patent quality standards, "raising the bar" and compact prosecution, with the objective of maintaining and indeed improving the efficiency of procedures and the quality of the granted patents. Many of the procedural changes resulting from these initiatives have however tended more to restrict the freedom of manoeuvre of applicants, e.g., by limiting the opportunities for dialogue with the examiner and/or for amending or dividing applications in the light of developments and prior art, rather than to ensure that applications will be thoroughly searched and examined in a consistent manner by expert staff who are fluent in the lan-

guage of the application.

The Federation has collected information about, and submitted schedules of, applications which appear to demonstrate systematic failures in search and examination, either in particular technical areas or more generally. These submissions have been politely received and discussed with Federation members. However, it is not clear that lessons from them have been promulgated to the examining staff as a whole. There is a tendency to treat such material only as evidence of "one-off" failure.

In response to a workload study by the EPO (2008) and proposals on procedural efficiency (2009/10), the Federation has submitted papers commenting on the EPO systems (papers PP05/08, PP03/10). While recognising the generally high quality of EPO work, the papers contain suggestions for improvement. A crucial point is that examination work should be predicated on a high quality search. For this, careful analysis of the patent claims by examiners skilled in the relevant art is necessary and we have suggested that a three person division should be responsible for this analysis and the formulation of an appropriate search strategy in response to it. We also consider that the analysis and search strategy should be published with the search report so that applicants and third parties can evaluate it. We consider that quality control should be enhanced and made more transparent by involving the outside experience of users and possibly others with quality control expertise. The work of boards of appeal should not be immune from quality monitoring. More dialogue with users is needed to enhance understanding of the business and technical purposes of the patents being applied for. In some areas, more attention to training, mentoring and supervision is needed, with closer involvement of senior staff in the complex work of the examiners. It should be ensured that examiner expertise is built up and retained in difficult technological fields. We have been unhappy that in some fields, examiners seem not to properly

understand the technology. This may be due to language problems and the cadre of mother tongue English speakers needs to be improved, particularly bearing in mind that more than 75% of EPO work is in English. We consider that the attitudes of many EPO examiners to amendment during pre grant procedures and to the ways in which claims are formulated are over-restrictive, such that there is a negative effect on the quality of the end product.

We have also commented in detail on the numerous EPO proposals for rule changes that impose substantial restrictions on the drafting of applications, timing of amendments, submission of divisional applications and conduct of oral hearings.

As might be expected, the EPO reaction to our suggestions has been guarded but we trust that in the longer term our points will not be ignored.

Patent Cooperation Treaty (PCT)

At the international level, we consider that the potential of the Patent Cooperation Treaty has yet to be fully realised. Making use of the PCT, it should be possible to achieve, in the international phase, an extensive, high quality search and a convincing examination report that makes a reliable assessment of the adequacy and validity of the patent application, such that any national authority will have little work to do in granting a quality patent when the application enters the relevant national phase. In January 2009 we made suggestions in an informal discussion paper (PP02/09) to WIPO for desirable improvements to the PCT. We highlighted the need to improve the international search, in particular by improving performance in international search authorities and, especially, by collaborative effort between international search authorities,

such that each could search to its particular strengths in language and subject matter. We again suggested that claim analysis and search strategy should be made transparent by publication of the strategy. We also considered that examination in the international phase should be substantially improved, in particular by allowing time for dialogue between the examiner and applicants and third parties. We drew attention to the need for quality monitoring and control.

The International Bureau of WIPO is of course concerned that the PCT is not being used as fully as it should be and the Director General circulated a paper during the first part of 2009 outlining a roadmap for improvement, emphasising the need for member states to adopt similar standards for patent grant and to cooperate more closely. Many of his proposals were consistent with ours. The Director General's paper received a favourable reaction and discussions in international circles are ongoing. Pressures are being applied on member states to remove the various restrictions and opt-outs permitted by the Treaty and on international search authorities to accept applications for supplementary search. This would be a significant step towards the collaboration on search that would do a great deal to improve quality.

National level

In the UK, the IPO follows and participates in the European and international discussions and initiatives. It has consulted on the positions to take and is aware of our positions in relation to the EPO and WIPO. In relation to the improvement of the PCT, the IPO issued a detailed questionnaire to users, and we made the points outlined above in our reply (PP16/09).

Developments in the Patentability of Computer Software and Business Method Inventions

Recent years have seen the patentability of software and business methods hotly debated, and not just in academic circles. With protests in the streets of Munich and over a hundred personal and professional opinions on the subject filed

by *amicus curiae*, there can be little doubt as to the public interest in this evolving and controversial issue. With judicial opinions on developments in the laws of Europe and the United States having been published in 2010, it is

timely to explore the perspectives and most significant effects.

Software patentability in Europe, being somewhat burdened by the untidy nature of the interaction between Europe's patent laws, has been allowed to evolve organically and somewhat differently in different nation states. Some national courts have struggled to reconcile differing approaches of the European Patent Office (EPO) while being fundamentally obliged to harmonise with those approaches. Taking the *stare decisis* courts of England and Wales, the changing European Board of Appeal case law adopting different approaches to applying essentially the same criteria left some judges frustrated. The failure of any European Union directive to avoid such issues appears to be an honest basis for the otherwise somewhat contrived referral G3/08 to the EPO Enlarged Board of Appeal in October 2008 by the then EPO President.

With both the quality of the questions referred and the overt basis for the referral being speculative, the response of the Enlarged Board was only to be expected. Overall, the issue was not with EPO case law, opined the Enlarged Board. The progressive evolution of EPO board of appeal cases towards a straightforward *hardware* oriented approach to testing the exclusion from patentability does not constitute a divergence from earlier decisions depending on an assessment of *technical contribution*. There being no divergence, the referral was deemed inadmissible. That concluded (for each and every question referred), the Enlarged Board nonetheless provided useful insights that will help practitioners.

Firstly, the *hardware oriented* approach (applied to good effect in *T424/03 Microsoft*) is the approach to use - mere inclusion of a technical feature in a claim avoids the exclusion of Article 52(2)(c) EPC. Secondly, the use of inventive step to prevent non-technical inventions being patented was confirmed, along with the exclusion of non-technical features in a claim from consideration when undertaking such assessments. Tempering this, the Enlarged Board helpfully acknowledged that claim features should not necessarily be considered in isolation -

sometimes the claim should be considered as a whole. This is something of a life-line for applicants struggling with inventive step objections against software inventions with important features being disregarded during the assessment. Additionally, the Enlarged Board confirmed that programming is a technical activity, so further bolstering the applicant's armoury when arguing inventive step based on technical considerations of the software engineer.

Just six weeks after the publication of the EPO Enlarged Board opinion, and on the very last day of the 2010 court term, the US Supreme Court handed down its decision *in re Bilski*. With a 5-4 majority, the Supreme Court confirmed that Business Methods are not necessarily excluded from patent protection but that the *machine-or-transformation* test adopted by the Federal Circuit is not the sole test for determining patent eligible subject matter under 35 USC section 101. Since departing from the prospect of patenting *anything under the sun*, the Supreme Court has stood by its early decision in *Diamond v. Diehr* in excluding laws of nature, natural phenomena and abstract ideas from patentability. It is the Supreme Court's finding that the claims in *Bilski* are abstract ideas and are therefore excluded. However, the general prospect for patenting (and maintaining patents for) business methods (and, by implication, software) is improved. Nonetheless, on the same day as the Supreme Court decision, the USPTO confirmed that examiners will continue to use the *machine-or-transformation* test as a tool for assessing patent applications.

And so it is that, in a nation lacking explicit legislative exclusion to patentability for software and business methods, the application of the law is such as to introduce such an exclusion. And in contrast, on a continent where there is such an explicit exclusion, the application of the law is such as to temper that exclusion. In both cases, with an effective search of the state of the art and a rigorous examination in respect of novelty and inventive step, it should be possible to settle on an appropriate threshold balancing the public interest with the interests of applicants.

PRACTICE MATTERS

New System for Regulation of UK Lawyers including Patent and Trade Mark Attorneys

Background and overview of the new system

Following a report by Sir David Clementi in 2004, Parliament enacted the Legal Services Act 2007 to reform regulation of lawyers. The Act has resulted in the establishment of regulatory bodies independent of professional bodies. Thus the Law Society, the Bar Council, the Chartered Institute of Patent Attorneys, and the Institute of Trade Mark Attorneys have each ceased to regulate their respective professions directly.⁴ The Act also provides for regulation of private practices consisting of different types of lawyer ("LDPs") and of lawyers and non-lawyers ("ABSs").

Most Federation Members have in-house departments of employed patent attorneys and/or trade mark attorneys. The attorneys are now regulated by the Intellectual Property Regulation Board ("IP-Reg"), and are bound by IPReg's *Code of Conduct*, which came into force in 2010.

Definitions of "corporate work" and "in private practice" in the Code of Conduct

Mostly, regulation applies equally to private-practice and to in-house patent and trade mark attorneys, but there is some regulation which applies appropriately only to private practice attorneys because they offer services to the general public. Thus, under the *Code*, only attorneys in private practice have obligations relating to professional indemnity insurance, complaints handling, letter headings, e-mail footers, and website contents. The *Code* defines an attorney "in private practice" as one not exclusively engaged in "corporate work". In the 2009 draft of the *Code*, "corporate work" was in turn defined to include work by an attorney for his or her employer or for a related company such as a subsidiary or a joint venture. However, the definition did not contemplate any work for an unrelated company. The Federation pointed

out that it was quite common, and necessary, for in-house attorneys to act as agents for unrelated companies, for instance to file and prosecute patent or trade mark applications for a transitional period after their sale. The Federation proposed a revised definition of "corporate work" which did cover such activities, and this revision was adopted, with minimal amendment, in the *Code* as issued. Without this successful lobbying by the Federation, in-house attorneys would have been liable to being deemed "in private practice" and therefore to having inappropriate obligations imposed on them.

Implications of current regulation for Federation Members

Despite the improvement in the definition of "corporate work" achieved by the Federation, any Member wishing to avoid the risk of regulation as a private practice needs to ensure that its IP Department provides services only to persons with whom the Member has a connection through ownership, employment, or common interest.

Federation Members need to be aware of key obligations of an in-house patent attorney or trade mark attorney which *are* the same as those of his or her private practice counterpart. Any attorney must deal competently and honestly with his or her client (who may be his or her employer) and must further his or her client's legitimate interests; but he or she may not, even on instructions from his or her client, deal dishonestly with third parties and with the Courts. He or she is also obliged to maintain his or her professional skill and knowledge through Continuing Professional Development ("CPD").

IPReg's *CPD Regulations* require 16 hours of CPD per year; at the end of each year, attorneys are required to declare whether or not they have achieved this, and declarations are subject to random audit. To achieve 16 hours within IPReg's

⁴ The former regulatory role of the Intellectual Property Office has also been terminated.

CPD *Guidelines*, most attorneys will need to achieve at least 12 hours⁵ by formal training. If CIPA, ITMA, the Law Society, or the Bar Council certify an IP-related event as worth so many CPD hours, then the event will usually count accordingly towards the 12. Training events organised by a department for itself can also count, but IPReg and CIPA at least do not have the resource to certify these in advance, so records need to be kept showing the standard of the events for use if an attendee is audited.

⁵ A "capped" joint contribution to the 16-hour total requirement of 4 hours can be made under various heads, one of which is discussion of IP law and practice at Federation meetings. The only "uncapped" activity other than formal training is "preparing a lecture, seminar, book, article or law report where legal research is involved of the standard and extent required for publication in an established legal publication", but most attorneys do not engage in such activity regularly.

Future prospects

Quite properly, the two Institutes will in future be most directly involved in any discussions with IPReg of changes to the *Code* or other aspects of regulation. However, as the affair of the definition of "corporate work" indicates, it is quite possible for the Institutes and IPReg inadvertently to fail to note the implications for companies with in-house attorneys, so the Federation needs to maintain a watching brief. For instance, the present Rules in the *Code* on fees and financial matters apply both to in-house and to private practice attorneys, and are sufficiently general not to pose a problem for in-house practitioners; but if these Rules were in future made more specific in the interests of the clients of private practice, it might be necessary for the Federation to urge a partial exclusion for in-house attorneys.

Privilege

Attorney-client privilege in the UK Courts, especially for patent and trade mark attorneys

The UK Courts have long had powers of "discovery" (in recent years renamed "disclosure", though the older term is retained in other jurisdictions). The Court may order the disclosure of documents relevant to the dispute being tried. These may include communications between a party and a professional such as a doctor or accountant. However, such orders are *not* made of communications with *suitably regulated legal advisers* - these are said to have "privilege" against disclosure, more specifically termed "attorney-client privilege" or "legal professional privilege".

The justification of attorney-client privilege is as follows. It is in the public interest that clients should seek and obtain legal advice, even if in some cases they do not act on it; *overall*, the obtaining of advice reduces the likelihood that clients will engage in behaviour that would inconvenience others and engage the Courts. Privilege allows the client and his or her adviser to have frank discussions leading to the best possible advice without fear that these will be exposed in

a later litigation. To take patent law as an example, privilege should reduce the likelihood of patentees' suing on patents of dubious validity and of third parties' selling infringing products or services.

Communications with UK solicitors and UK barristers on all legal matters enjoy attorney-client privilege; those with UK registered patent attorneys and European patent attorneys only on legal matters specified in the Copyright, Designs and Patents Act 1988; and those with UK registered trade mark attorneys only on legal matters specified in the Trade Marks Act 1994. All these legal advisers are regulated to be "independent" of their clients and in particular not to behave dishonestly to third parties or the Courts; (see the section on Implications of current regulation for Federation Members article on page 23 of this issue), which means that privilege cannot be abused contrary to the interests of justice.

In-house UK legal advisers, and also EPAs, are regulated to be "independent" just as their private practice counterparts are, and their communications are equally privileged before the UK Courts.

Privileged communications may also be withheld from investigating authorities (most notably in the IP context, competition investigations by the Office of Fair Trading).

For Federation Members, the major weakness of attorney-client privilege in the UK is that it is not broad enough for communications with patent and trade mark attorneys. A trade mark attorney may be the first "port of call" for advice on patents, but any communications with him or her on patents are outside the statutory privilege. A patent attorney's communications have broader statutory privilege, covering most patent, design, and trade mark matters, but the privilege almost certainly does not cover (for instance) communications concerning literary copyright in a work lacking technical content. The statute also has various "grey" areas, including advice on ownership of an invention, which is part of a patent attorney's routine practice.

In its response to the Clementi Review (*Trends and Events*, 2004/2005, pages 25-26), the Federation urged that privilege be accorded to communications with patent and trade mark attorneys on *all* legal matters, as for those with solicitors and barristers. Disappointingly, no general move in this direction was made in the Legal Services Act 2007.

A second weakness for Federation members is that communications with an in-house IP department are not explicitly privileged as such (whereas communications with regulated private practice partnerships and companies as such *are*), only communications with the individual regulated legal advisers. This means, *inter alia*, that communications with trainees may be unprivileged.

Attorney-client privilege when a UK company sues, or is sued, for IP infringement in a foreign jurisdiction

For UK companies, a key issue is whether a foreign Court in which there is litigation can order the discovery of communications that a UK Court would deem privileged as described in Section 1. In civil-law countries such as France, the probability is low, for there is little discovery there. In USA, discovery (including e-discovery) is a major and ex-

pensive feature of litigation. However, the cases suggest that communications which would be privileged in UK would, "in comity", usually be privileged in USA.

The situation in Australia and Canada is much less satisfactory. In Australia, communications with UK solicitors are privileged, but not those with UK patent attorneys (though this may change in the foreseeable future). In Canada, plaintiffs in patent infringement actions have found that their communications with legal advisers in relation to the patent filing and prosecution lack privilege, even with the most highly qualified and regulated Canadian legal advisers.

IP law is remarkably harmonised internationally, and IP practice is highly international (for instance, it would be rare for a substantial company to have an Australian or Canadian patent without a US equivalent, and multi-jurisdictional parallel actions are not uncommon). Therefore, there is a risk that documents might enter the public domain in an Australian or Canadian patent action and later be used damagingly in a parallel action in UK or USA, even though the UK or US Court would not have ordered their discovery. To deal with such anomalies and others,⁶ a WIPO Treaty on privilege in IP advice has been proposed. While broadly supporting such a Treaty, the Federation has left lobbying on the subject to more international representative organisations such as the International Chamber of Commerce. The Federation monitors progress on the WIPO Treaty nevertheless, which is currently expected to be slow.

Privilege in the proposed European and European Union Patents Court (EEUPC)

This Court (see the section on the *Unified Patent Litigation System* on page 17 of this issue) is intended in due course to be the Court of exclusive jurisdiction for all future patent protection in EU states obtained through the EPO, eliminating the embarrassment of (for instance) divergent decisions of UK and German Courts on identical European "bundle" patents. The Court will also have exclusive jurisdiction over old European

⁶ The situation of parties from a civil-law country engaged in litigation in a common-law country is especially difficult.

"bundle" patents unless their owners "opt them out".

The current draft Agreement to establish the Court and draft Rules of Procedure do give the Court powers which a UK or US lawyer would recognise as discovery. Rule 362 deals with attorney-client privilege, but in such a way (inadvertently, it is believed) so as to be of little effect. The Federation has made a proposal to the Commission officials in charge of the project to establish the Court; this would achieve *inter alia* the following:-

- (i) Clients of EPAs would benefit from attorney-client privilege before the Court;
- (ii) clients of legal advisers throughout the world whose regulation was comparable with that of EPAs would also enjoy privilege (e.g. clients of UK registered patent attorneys and of US patent attorneys);
- (iii) there would also be "litigation privilege" as in UK Courts;⁷ and
- (iv) the provisions as to privilege would be such as to command the respect of US Courts as those in UK do, -

subject to the proviso that attorney-client privilege under (i) and (ii) should be accorded to in-house advisers' communications so long as they were regulated similarly to private-practice advisers.

Both the inclusion of non-European advisers under (ii) above⁸ and the proviso relating to in-house advisers⁹ would require the EEUPC to be set up in disregard of the existing European law in relation to European Commission competition law investigations (see next Section). The Federation argues that the two cases can be clearly distinguished: a European Commission competition law investigation is undertaken by a public

⁷ Litigation privilege is additional to attorney-client privilege, and arises in relation to contemplated or actual litigation.

⁸ Particularly important to Federation Members with US parents or major US subsidiaries.

⁹ Important to most Federation Members. Note that the proviso in combination with (ii) would be expected to cover in-house US patent attorneys.

authority in the public interest, but a patent litigation is a private dispute.

Attorney-client privilege in European Commission competition law investigations

The present European law is of great concern. The Commission, in investigating a suspected breach of EU competition law, has access to communications with (i) any non-EU (non-EEA?) legal adviser, and (ii) any in-house legal adviser (essentially, the CJEU, unlike the UK Courts, dismisses the "independence" of in-house advisers in the context of a competition investigation). This was the law according to *AM&S* in 1982¹⁰, and the law was unchanged by *Akzo* in 2010¹¹.

Practical implications

Insofar as most Federation Members rely on European patent attorneys or UK trade mark attorneys, solicitors, or barristers for key advice, they stand to enjoy substantial if imperfect privilege in the UK and US Courts.

According to their circumstances, some companies may, through their Information Retention Policy, seek to limit the number of discoverable documents, even in the files of the Legal and IP Departments and outside advisers. Others, however, may prefer to keep the documents in the interests of better case management.

Specific risk areas for companies are the following:

- (i) Advice by UK patent and trade mark attorneys outside, or arguably outside, their respective statutory scope. Involvement of a solicitor or barrister may help.
- (ii) Litigation in Australia (*pro tem*) and Canada. At least the plaintiff has the option of not engaging.
- (iii) Advice on EU competition law relating IP. Involvement of a *private-practice* UK solicitor or barrister may help.

¹⁰ Case 155/79 *AM & S v. Commission* [1982] ECR 1575.

¹¹ Case 550/07 *Akzo Nobel Chemicals v. Commission*

- (iv) Advice by professionals in some countries (outside UK and USA) where it is questionable whether communications with them enjoy any privilege locally, so that there may be no local privilege to be respected "in comity" in US or UK Courts. This presents an especially acute problem if some of a company group's R&D is performed in such countries and local professionals are used for drafting the priority applications for the resulting inventions.
- (v) Advice by trainees in in-house departments.

In addition, there are some bureaucratic aspects to privilege management. The US Courts require a high standard of proof that attorney-client privilege exists; the authorship of a document, or even of manuscript annotations to it, must be provable to be that of an appropriate

person, which implies discipline in document creation. It may be worth while carefully to word e-mail footers against the possibility of e-discovery; if footers of e-mails sent by legal advisers (including of in-house advisers over the internal company network) are readily distinguishable from those sent by people whose e-mails are unlikely to attract attorney-client privilege, then they can be readily put on one side for privilege review.

Finally, if the EEUPC were in the event to be set up with unsatisfactory privilege arrangements, companies might have to consider using national routes for European patenting of important inventions, so as to preserve the *status quo* for privilege as set out in Sections 1 and 2 above. The privilege arrangements might also affect decisions on "opting out" of old European patents.

UK ISSUES

The UK Intellectual Property Office

2010 saw the arrival of a new Chief Executive and Comptroller-General of the UK Intellectual Property Office, John Alty, who took office early in the year. John Alty has a background in business, regulation and markets, having been most recently the Director General in Fair Markets in the Department for Business, Innovation, and Skills, and before that Director Business Relations and Director Europe in the DTI.

Under John Alty, the IPO has the aim to assess how IP rights influence economic growth to help determine a reliable basis on which to develop IP policy for the UK and beyond. With the demise of the Strategic Advisory Board for Intellectual Property Policy (SABIP), research into topics such as the impact of IP on business behaviour and performance, will now be undertaken by the IPO's Economics, Research and Evidence unit under Tony Clayton. A comprehensive research programme was launched on 24 August 2010.

The IPO is also aiming to align its patenting activities with the perceived needs of business to have speedy

examination and grant of IP rights. It therefore continues to provide fast track or expedited handling of patent applications through the Green Channel system - allowing accelerated processing of patent applications directed to so-called green, or environmentally friendly, technology; through the PCT (UK) Fast Track system; and through various PPH (Patent Prosecution Highway) arrangements - currently with Japan, South Korea and the USA. The IP Federation has maintained the view that acceleration of the patenting process whether in the UK, Europe or beyond, must not be at the sacrifice of quality of search and examination.

The IP Federation has long been concerned at the lack of consistent consultation of user groups since the demise some years ago of both SACIP (the Standing Advisory Committee on Industrial Property) and its successor, IPAC (Intellectual Property Advisory Committee). We are pleased to see the gradual reinstatement of user consultation by the IPO and welcome the opportunity in the future to put forward industry's viewpoint. The IP Federation continues participation in the PPWG group (the Patent

Practice Working Group), as well as the Marks and Design Forum (MDF).

One area on which the IP Federation has consistently lobbied the IPO is the provision of an online file inspection facility. The archaic approach of the IPO that file inspection must be via hard copy review because of potential copyright and data protection concerns is at odds with the development of user friendly online

facilities from other major patent offices: Register Plus from the European Patent Office and PAIR from the US Patent and Trademark Office. The IP Federation is pleased to find that the IPO is now intending to bring online file inspection into being during 2011. This must enhance the standing of the IPO in the international community and lays the way for the very real prospect of work sharing between patent offices in the future.

Strategic Advisory Board for Intellectual Property Policy (SABIP)

The Strategic Advisory Board for Intellectual Property Policy (SABIP) was established in June 2008 and was dissolved two years later in July 2010. In its two years SABIP sponsored a number of research projects, focussing to a major extent on the copyright field.

SABIP split its work into five streams. Streams 1 and 2 covered the social and economic role of copyright, and attitudes and behaviour in the digital age; a number of reports were published including a review on the relationship between copyright and contract law and a report into on-line and off-line consumer behaviour. A third stream entitled "the role and rationale of intellectual property" focussed initially on patents and a number of papers were commissioned on topics ranging from the historic role of patents to business strategies within the patent system. It is hoped that these papers will be published in the near future. One particular paper entitled "Impact of the Patent System on SMEs" was very much appreciated and deserves wide circulation among SMEs as a valuable reference source.

The fourth stream on the role of IP in university-industry knowledge flows will be continued by the research team at the

IPO (the UK Intellectual Property Office), with an initial report proposed for publication in Autumn 2010. A report on SME behaviour and the impact of enforcement costs on their ability to seek justice through the courts, which should publish in Autumn 2010, resulted from the work in the fifth stream.

One very positive outcome of the dissolution of SABIP has been the government decision to combine the former SABIP activities with those of the IPO in the IPO's Economics, Research and Evidence Unit where the highly skilled IPO economics team will be able to draw upon the knowledge of the IP experts in the IPO and will also have access to the statistics and support data available from ONS (Office of National Statistics).

The Federation hosted the head of the IPO's Economics, Research and Evidence Unit, Tony Clayton, at the February 2010 meeting of the Federation Council and had a valuable discussion of the possible research projects to be undertaken. The Federation is of the opinion that high quality research on IP is necessary to ensure that IP policy decisions are taken by governments, international organisations, and patent offices based upon sound information and evidence.

IP FEDERATION BIOGRAPHIES

James Hayles, President

James took over from Roger Burt as President in July 2010. He is a UK and European Patent Attorney with over 20 years' experience of IP work gained in private practice, Fisons plc and Pfizer Limited. He has represented his employers on both the Patents Committee and Council of the IP Federation for many of those years, and latterly also the IP Expert Network of the ABPI. His career has mostly been spent in the pharmaceutical field, obtaining and defending patent protection for new products globally. He gained a first degree in Chemistry with Biochemistry from Oxford University in 1987, and an LL.M. in IP Litigation from Nottingham Trent University in 2009.



In his spare time, he enjoys spending time with friends and family, walking and sailing.

David England, Company Secretary

David joined the IP Federation as Secretary in June 2010. He is a UK and European patent attorney with 25 years' experience gained at Reckitt & Colman, Astra Pharmaceuticals and BTG Inter-

national. During his career, he has worked extensively on the creation, defence and licensing of intellectual property (mainly patents, but also designs and trade marks), and has represented his employers on both the Patents and Designs Committees of the IP Federation.



In his spare time, he sings with the highly-regarded BBC Symphony Chorus, performing regularly at venues including the Barbican and the Royal Albert Hall.

Connie Garrett, Admin Assistant

Connie has been employed by the IP Federation as a part-time Administrative Assistant since March 2006. She previously worked within education as a PA / secretary supporting Heads of Schools.



She is married with two grown-up children and enjoys cycling, dancing, swimming, yoga, knitting, sewing, cooking, gardening and running her allotment.



Advancing Industry's View On
Intellectual Property Since 1920



IP Federation members 2010

The IP Federation (formerly TMPDF), represents the views of UK industry in both IPR policy and practice matters within the EU, the UK and internationally. Its membership comprises the innovative and influential companies listed below. It is listed on the European Commission's register of interest representatives with identity no: 83549331760-12.

ARM Ltd
AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Delphi Corp.
Dyson Technology Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Limited
Ford of Europe
Fujitsu Services Ltd
G E Healthcare
GKN plc
GlaxoSmithKline plc
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Kodak Ltd
Merck Sharp & Dohme Ltd
Nokia UK Ltd
Nucletron BV
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington Group Ltd
Procter & Gamble Ltd
QinetiQ Ltd
Rolls-Royce plc
Shell International Ltd
Sony Europe Ltd
Syngenta Ltd
The Linde Group
UCB Pharmaceutical plc
Unilever plc
Xerox Ltd

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ADVANCING INDUSTRY'S VIEW ON INTELLECTUAL PROPERTY SINCE 1920

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