



ADVANCING INDUSTRY'S VIEW ON INTELLECTUAL PROPERTY SINCE 1920

TRENDS & EVENTS

Intellectual Property:
Current Events and
Future Prospects

December 2011



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 certain meetings of BUSINESSEUROPE, the Confederation of European Business, 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.

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. If you would like to join, please contact the Secretariat at the address which follows.

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PRESIDENT'S INTRODUCTION

I am very pleased to introduce the December 2011 edition of *Trends and Events*, the annual journal of the IP Federation.

It has been another very eventful year in the world of Intellectual Property. May saw the publication of the Hargreaves Review, including ten recommendations for the future; there have been major judgements from the CJEU including those relating to SPCs; and there has been a consultation on the proposed introduction of a Patent Box in the UK.

However, the issue that has continued to dominate IP Federation Council meetings, and its Policy Papers, is reform of the patent system at an EU level. The Federation felt there were still significant problems with the proposals for Unitary Patent Protection and a Unified Patents Court as they stood in December 2011, and so we are relieved that the initialling ceremony planned for 22 December has been postponed so that further thought and work can be carried out to achieve a system which is truly better than the one we have now. These reform activities take place against a background of continuing economic gloom in Europe: while politicians understandably view closer integration as a way to ease these problems, it is important not to neglect the detail in an area such as IP, because this could result in more harm than good, and defeat the original aim of encouraging economic growth.

Despite the difficult economic conditions this year, the Federation has been successful in its goal of growing its membership. In addition to new company members, 2011 saw the introduction of Solicitor Associates, limited to three solicitor firms, elected by Council Members. The first three Solicitor Associates are Allen & Overy, Bristows and Wragge & Co., and the Federation has already benefitted greatly from their expertise.

In July, the Federation's Annual Lunch proved most enjoyable in the historic surroundings of Stationers' Hall, and was privileged to conclude with an address from The Rt. Hon. Professor Sir Robin Jacob. I am indebted to the hard work put in by the Federation's secretariat, David England and Connie Garrett, to organise this and to mastermind the Federation's other activities.

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

- Bobby Mukherjee
- Carol Arnold
- Chris Oldknow
- David England
- David Lewis
- Mike Jewess
- Richard Wilding
- Roger Burt
- Tim Frain

and also our solicitor associates:

- Huw Evans, Pam Taak and Eibhlin Vardy of Allen & Overy
- Alan Johnson of Bristows



and a special thank you to our guest contributor:

- Patrick C. Keane of Buchanan Ingersoll & Rooney PC

for his article on the America Invents Act, which harmonises US IP law with international practice, but invokes significant changes which will fundamentally impact US IP strategies.

James Hayles
President
31 December 2011

IP FEDERATION

The Federation's activities

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
- ministers and
- judges.

Policy papers 2011

Policy papers submitted in 2011 are as follows:

February

PP 1/11 Proposal for a Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection

Statement in support of the Commission's proposal to invoke enhanced cooperation in order to move forward with the creation of a unitary patent in Europe, as a further option for obtaining patent protection, though with concerns about any extension of the Court of Justice's role in interpreting substantive patent law

PP 2/11 Examination practice in the EPO

Paper to the President of the European Patent Office, recommending that examiner training should take account of the following points and the Guidelines to Examination should be amplified to give them proper emphasis:

1. An iterative examination process will often be the best way of ensuring that the examiner fully appreciates the invention and the applicant's aims, while the applicant has an adequate opportunity to respond to the examiner's objections. It is the way to ensure that a high quality patent is granted.
2. Telephone discussions are to be encouraged and training given to examiners to help them with this.
3. In appropriate cases, it would be good practice for the examiner to schedule a preliminary technical conversation with the applicant, to ensure that there is a common understanding of the nature and objectives of the invention.
4. Oral proceedings should be a matter of last resort. When they are necessary, they should be conducted by video, telephone or on-line conference if requested by the applicant.
5. The summons to oral proceedings should clearly define the issues and new objections should, in general, not be raised in oral proceedings.

PP 3/11 Consultation on the introduction of a Patent Box

Response to the Government's consultation on the taxation of innovation and intellectual property with a deadline of 22 February 2011

March

PP 4/11 Independent Review of IP and Growth - call for evidence

Response to the Review of Intellectual Property and Growth: Call for Evidence with a deadline of 4 March 2011:

Contrary to the sceptical opinions held by some, the IP systems in the UK, in the rest of Europe, and elsewhere when in compliance with international agreements, are generally sound. They are not broken and do not need major adjustment. The first need is to improve quality and efficiency within the existing systems.

PP 5/11 Representation before the European and Community Patent Court Statement in support of the current version of Article 28 of the draft Agreement which will establish the Court:

We believe that opening up representation to suitably certificated EPAs will not only be a progressive step in line with the general objective of improving the patent system in Europe but that specifically it will ensure wider choice and therefore better access to justice for all; especially for those high technology SMEs which will likely be the bedrock of the European Union's future economic well-being.

PP 6/11 Unintentional infringement of UK and Community designs
Response to IPO public Consultation about equalisation of remedies for unintentional design infringement launched on 1 December 2010

PP 7/11 Development of a PCT third party observations system
Response to WIPO Circular C. PCT 1288 containing proposals as to the details of how the International Bureau intends to implement a Third Party Observation System under the PCT

April

PP 8/11 IPO consultation on amending the Patents Act 1977 to provide for online patent document inspection
Response to the Intellectual Property Office's formal consultation dated 31 January 2011, which sets out proposals to amend the Patents Act to provide for online patent document inspection, introducing a new section 118A into the Act which contains an exception from copyright

PP 9/11 Commission report on implementation of enforcement directive
Comments in support of the UK Govern-

ment's response to the consultation on the Commission Report on the enforcement of intellectual property rights from 11 January to 31 March 2011

May

PP 10/11 Cabinet Office Procurement Policy - Use of Open Standards
Response to Government proposals that open standards should be sought whenever it is procuring IT equipment, in Procurement Policy Note on Use of Open Standards when specifying ICT requirements dated 31 January 2011

June

PP 11/11 Third party observations at the EPO
Letter to the EPO asking it to reconsider its decision not to include a "clarity" tab on the proposed web page for making observations, and to amend the Guidelines to make explicit the fact that third parties may object under Art. 115 EPC to lack of clarity of the claims of European patent applications

July

PP 12/11 IPO consultation on experimental use and Bolar exemption
Response to IPO consultation dated 6 June 2011 to investigate the impact, if any, of UK patent legislation on the conduct of clinical and field trials involving pharmaceuticals in the UK

August

PP 13/11 EU-India Free Trade Agreement
Letter to the IPO advocating the provision of Regulatory Data Protection in India in the EU-India trade talks

September

PP 14/11 Harmonisation of Substantive Patent Law
Plea for renewed efforts to find common ground for international agreement on a number of substantive aspects of patent law, including the prior art to be considered in relation to novelty, the principle that the patent on a given invention should be awarded to the first inventor to file and a grace period

PP 15/11 Draft agreement on a Unified Patent Court and draft Statute
Statement in support of the "principles

paper” prepared by a sub-group of the European Patent Reform Consultation Group constituted by the IPO, urging that the text of the agreement on a Unified Patent Court and draft Statute requires amendment

October

PP 16/11 IPReg Consultation on Litigation Rights for Patent and Trade Mark Attorneys

Response to consultation on litigation rights supporting IPReg in its proposals to issue a revised qualification regime for patent attorney and trade mark attorney litigators to facilitate the grant of relevant rights to registered patent and trade mark attorneys

November

PP 17/11 Implementing the Hargreaves review - call for evidence in relation to the design sector

Response to the Intellectual Property Office’s call for evidence in relation to the design sector closing on 11 November 2011, aiming to gain a better understanding of whether the design rights system in the UK is geared to the needs of business

PP 18/11 Location of the Unified Patent Court

Letter to Baroness Wilcox, Parliamentary Under-Secretary for Business, Innovation and Skills, requesting the Central Division of the new Court to be located in London

PP 19/11 Unitary Patent Protection Regulation - Articles 6-8

Plea for MEPs to push for the deletion of

the infringement provisions in Articles 6-8 from the Unitary Patent Regulation, and to give full consideration is given to other significant issues to ensure we achieve a better patent system in Europe

December

PP 20/11 Unitary Patent Regulation and Unified Patent Court Agreement

Plea for the UK not to initial, agree to or sign anything in which our concerns are not dealt with or which precludes further progress on structural issues

Benefits of being in the Federation

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.

David England, 19 December 2011

COMPETITION

Draft European Commission Block Exemption Regulation on Research and Development Agreements

An item in the December 2010 issue of *Trends and Events* (pages 6-8) reviewed block exemption regulations (BERs) under Article 101(3) of the Treaty on the Functioning of the European Union (TFEU),¹ and in particular the two BERs then most relevant to Federation members, namely Regulation 772/2004 on technology trans-

fer agreements and Regulation 2659/2000 on research and development (R&D) agreements. The second of these was due to expire at the end of the month; and the item also set out the two key points in the Federation’s submission on the Commission’s draft replacement for 2659/2000.

It can now be reported that the replacement for 2659/2000 was indeed published by the Commission later in December

¹ Article 101 of the TFEU corresponds to Article 85, later renumbered as 81, of the Treaty of Rome, which the TFEU supersedes.

2010 (1217/2010), and came into force on 1 January 2011. Moreover, *the text did take full account of the Federation's two key points:-*

(i) 2659/2000 had explicitly stated that technical field of use restrictions between non-competitors were compatible with block exemption of an agreement containing them. In their draft of the replacement BER, the Commission had omitted any such statement. The Federation expressed concern at this, noting that such a restriction was permitted even between competitors under 772/2004. *The final text 1217/2010 permits field of use restrictions between both non-competitors and competitors (recital (15) and Article 1(o)).*

(ii) The Commission's draft of the replacement BER had introduced a quite new condition for exemption:

"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."

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 was invalid legally, and that the proposed condition would render the BER unworkable. *The offending condition was removed in 1217/2010.*

Despite these substantial improvements over the draft (and in respect (i) over the predecessor BER), 1217/2010 will frequently be difficult for many companies to use *directly*: as with the predecessor BER, the exemption and its duration depend on whether the parties are "competing undertakings" and, if they are, on a $\leq 25\%$ combined market share test (Article 4). However, the above improvements in the BER will make it easier to draft an agreement so that it falls within the BER save only in respect of Article 4, and later (if and when necessary) to obtain from a national Court or a competi-

tion authority a decision that the agreement is lawful under Article 101. (Such a decision may be on the basis that the agreement falls outside the prohibition of Article 101(1), or else on the basis that it does fall within Article 101(1) but is *individually exempted*, rather than block exempted, under Article 101(3). An exemption decision - though made at the time the matter arises, for instance by a Court in the course of litigation concerning the agreement - has retrospective effect.)

It is suggested that if one wishes to maximise the chance that a national Court or a competition authority will find an agreement lawful, then the "hard-core" restrictions in Article 5 should be studied carefully and avoided if at all possible. These are mostly familiar: for instance, it is a hardcore restriction in an agreement to restrict a party in his choice of R&D collaborators (a) in fields unconnected with the R&D to be performed under the agreement, and/or (b) after the R&D under the agreement is complete; and, equally familiarly, restrictions on *passive* sales are hardcore.

However, Article 5(e) defines a noteworthy, new, and rather obscure hardcore restriction as follows:

"the requirement not to make any, or to limit, active sales of the contract products or contract technologies into territories or to customers which have not been exclusively allocated to one of the parties by way of specialisation in exploitation."

One may illustrate what seems to be the effect of Article 5(e) by the following specific example. Suppose two parties A and B, at the outset of an R&D cooperation, agree to allocate active rights to exploit the eventual results of the R&D so that A has rights in UK, France, and Germany and B in the rest of the world. This is apparently compatible with Article 5(e). *But*, if there is any territory where *neither* by A *nor* B has been allocated active rights, then -

(1) active sale by B in the unallocated territory risks infringement by B of A's intellectual property rights, and *vice-versa*; and

(2) consequently (it is suggested), this is a hardcore restriction under Article 5(e), so long as (a) the unallocated territory is within the European Economic Area (EEA) or (b) the unallo-

cated territory is outside the EEA but its non-allocation is intended to, or does, affect trade within the EEA.

Mike Jewess, 12 December 2011

COPYRIGHT, TRADE MARKS AND DESIGNS

Copyright Levies

EU

Since the collapse of the Commission-backed Stakeholder Platform in early 2010, industry has focused its efforts primarily on seeking to get copyright levies back on the EU policy / legislative agenda. Against the odds, that strategy has paid off - the topic is now well and truly back in the political spotlight.

In May, it was announced in the European Commission's Communication on a Single Market in Intellectual Property Rights that the Commission would appoint a high level independent mediator to kick-start a voluntary stakeholder 'agreement' building on the results of the previous stakeholder forum. According to that Communication this would "lay the ground for comprehensive legislative action at EU level in 2012".

Industry is deeply sceptical about a mediation process fearing it would turn out to be merely a re-hash of the disastrous Stakeholder Platform. It is industry's view that the parties are so far apart on fundamental issues that a voluntary solution is simply a fruitless exercise. In May, just ahead of the Commission's official announcement about the mediator, the industry association (DIGITALEUROPE) wrote to the Commission setting out strict conditions for mediation to be acceptable (scope, time limit etc.) and proposed that the mediator should also explore a broader reform of the levies system, including alternatives for providing fairer compensation to rights holders and improving the conditions to expand the market for the benefit of all.

In view of encouraging developments over the last year or so both at Member State level and in the CJEU (as reported below), it increasingly seems that now is the wrong moment to start mediation in

Brussels. For this reason, in mid-November DIGITALEUROPE wrote again to the Commission emphasising that it would make more sense if the priority and focus of any mediation process would be the exploration of alternatives to the current hardware-based levy system.

The process for appointing a mediator has been slow and there were times during the year when it looked more like it may never happen. However, at the time of writing (late November) it has just been announced that Commissioner Barnier has asked a former European Commissioner for Justice and Home Affairs António Vitorino to act as mediator. Mr Vitorino is a Portuguese socialist and a lawyer by training. According to the Commission the objective is to explore possible approaches to harmonisation of both the methodology used to impose levies and the systems of administration of levies. It is planned that the discussions will commence at the beginning of 2012 and completed before the summer of 2012.

While industry is not at all optimistic about mediation, it is recognised that the Commission sees this as a precursor to any legislative action at EU level. Having said that, industry now believes that any EU initiatives under the current regime are unlikely to bring any real improvement, and may even lead to a worse situation than we have today. For example, there is talk of *harmonising* levies which might imply that countries like the UK that do not have levies would need to introduce them.

By contrast, more positive developments have been occurring politically at Member State level and through litigation. This means we are now seeing an interesting dynamic emerge between EU and national politics, and a careful balance has to be

struck to ensure synergy and avoid that one does not harm or undermine the other.

In Member States, there is now a tangible political inclination towards abolishing traditional device-based levies in the digital world (e.g. in Netherlands, Spain) and we are seeing initiatives around exploring alternative, fairer approaches to rights holder compensation (e.g. in Finland, Germany, Spain). The UK is proposing to introduce a narrow private copy exception to permit format shifting but without levies recognising that the price is included in the licence - see below for more details. The Netherlands has announced plans for copyright reforms which foresee levies being abolished altogether.

CJEU cases

Following last year's landmark decision in *Padawan* the Court of Justice (CJEU) has handed down a further opinion in the *Opus* case and two new cases have been referred to the CJEU from Germany and Austria respectively.

The *Opus* case concerns cross-border 'distant' sales where a web shop in Germany was supplying private buyers in the Netherlands. The Court held that Member States that apply copyright levies on blank media have an obligation to guarantee the effective recovery of that levy. If it is impossible to get individuals to pay, recovery could be sought from the seller even if based abroad.

Five new questions about levies have been referred to the EU Court of Justice (CJEU) by the German Supreme Court (Bundesgerichtshof) in a case involving *HP et al.* This reference combines three printer cases and one PC case C-457/11 - C-460/11. Although nominally about printers and PCs, two of the questions are generic in nature and consequently have broad implications. One of those questions is about technical protection measures (TPMs) and the other is whether a license exhausts entitlement to fair compensation (levies).

Member States have the opportunity to file observations with the CJEU and the IP Federation has endorsed a paper submitted to the UK IPO by Intellect, the UK ICT industry association, encouraging the

UK Government to intervene particularly in relation to the question on licensing / exhaustion on the basis that this has potentially significant implications for intended new legislation in the UK concerning private copying and format shifting in the wake of the Hargreaves Review - see below.

In a dispute involving Amazon and the Austrian Collecting Society, the Austrian Supreme Court has referred a series of questions to the CJEU probing further into what constitutes 'fair compensation' and whether Austrian law is compliant with EU law.

This growing activity on levies before the CJEU may itself have positive effects not only for the jurisprudence on levies in Europe (in terms of favourable interpretation of the Copyright Directive), but may even help to demonstrate that the system is not working and so eventually help to encourage supportive policy and legislative actions.

UK

May saw the publication of the Hargreaves Review (reported in more detail in the separate article in this issue) which proposed that the UK should extend the current scope of the private copying exception to include normal consumer behaviour, but as this does not incur loss / damage to right holders there should be no additional compensation by way of levies, on top of the purchase price.

An Economic study of levies carried out by Oxera commissioned by Nokia, an IP Federation member, was also published in May just ahead of Hargreaves. Oxera's main findings were that:

1. Removing copyright levies would make all stakeholders better off and generate additional welfare for the EU economy of up to €1.88bn per year.
2. From an economic perspective, the copyright levy system is not well suited to the digital age because it creates distortions and inefficiencies affecting consumers, device manufacturers and rights holders. Levies hinder innovation, investment and the development of a European digital market.

3. Rights holders can make significant gains from the removal of copyright levies because levies hold back the development of new digital services thus limiting the growth of digital music sales and the effective compensation that rights holders can extract. Oxera calculates that rights holder remuneration could increase by up to €626 million per annum in the EU, should levies be removed.
4. An increased offering of innovative digital services would contribute to the reduction of piracy.

The full Oxera study can be found at:

<http://www.oxera.com/main.aspx?id=9481>

Shortly after the publication of Hargreaves, Nokia received a letter from George Osborne, Chancellor of the Exchequer (who had been sent a copy of the Oxera study) in which he noted that the Hargreaves Review “sees no economic argument for a levy on personal media devices that allow copying to accompany this.” Mr Osborne went on to say that “this is entirely in line with the findings of the Oxera study”. He concluded with the encouraging point that “Treasury tax policy is to avoid the introduction of new levies wherever possible.”

The Government’s official response to Hargreaves, published in August, shared the Review’s concern that a widespread flouting of copyright through private copying in particular brings the law into

disrepute, noting that “it is not appropriate simply to tolerate unlawful private copying where it is not commercially damaging”. In that context it was announced that the Government will bring forward proposals in autumn 2011 for a substantial opening up of the UK’s copyright exceptions regime on this basis, including proposals for a limited private copying exception. At the time of writing, it is believed that legislative proposals are being considered to open up the full range of exceptions permitted under the Copyright Directive, not just private copying.

In October the long-awaited report on “Private Copying and Fair Compensation” by Professor Martin Kretschmer, commissioned by the UK IPO, was launched at a special event in London on 19 October 2011. Professor Kretschmer claims this is the first official empirical study of copyright levies in Europe and shows that the levies system across Europe is “deeply irrational”.

Importantly, Kretschmer supports Government proposals for introducing a wider (but still narrow) private copying exception to legitimise private format shifting *without levies*, based on the rationale that a certain amount of private copying is already priced into the retail purchase. This would cause no appreciable harm to right holders that would trigger an obligation for payment of “fair compensation” under the EU Copyright Directive.

Tim Frain, 12 December 2011

Trade Marks

The Report from the Max Planck Institute resulting from the Study on the Overall Functioning of the European Trade Mark System - to which the Federation had submitted evidence - was eventually published on 15 February 2011. The Study upheld the principle espoused by the Federation to the effect that genuine use of a Community Trade Mark Registration in one Member State was sufficient to maintain the validity of the registration against an attack based on the ground of non-use. Amongst the other recommendations, the Report advocated the use of the large surplus of funds to establish an

organisation to tackle counterfeiting (the Observatory) rather than return fees to registered owners. The funds would also be distributed to operating and educational projects under the auspices of the National Offices. Both of these projects will require continuing funding by trade mark owners even though copyright and design infringements would also be covered by the proposals. The Commission will produce a Green Paper in 2012 setting out proposals for the reform of the Community Trade Mark Directive and Regulation taking into account the recommendations, as well as other

possible changes.

One of the changes may result from an impending CJEU decision in the so-called IP Translator test case by CIPA (C-307/10). This relates to the OHIM practice whereby a Community Trade Mark Registrations listing a Class Heading as the specification of goods / services is taken to extend to all of the goods / services listed in the respective Nice classification - leading in some Classes to very large areas of protection. Owing to the vagaries of the Classification System, totally unrelated goods / services are thereby protected in some jurisdictions - giving rise in the first five years of a registration to a very wide scope of protection. (The Registration may be attacked on the ground of non-use after five years.) The recently issued Attorney General's Opinion indicates that Class Headings should not be taken cover all the goods / services in the Class unless the Heading is one of those which is sufficiently specific.

Unjustified "trade marks threats actions" are attracting notice again. (The topic was due to be discussed by SACIP, the Standing Advisory Committee on Industrial Property, at the time of its disbanding.) The Court of Appeal (EWCA Civ 618) found in *Best Buy v. Worldwide Sales Corporation España* that a European Union wide threat could give rise to a UK threats claim even if made in a "Without Prejudice" letter.

An unfortunate loophole in EU law relating to goods in transit has been demonstrated following two unsuccessful cases brought by Philips and by Nokia seeking destruction of goods apparently infringing, respectively, registered design rights and trade mark rights and held under a suspensive procedure. The CJEU held (C-446/09 and C-495/09) that where the relevant documentation was ostensibly complete and correct, goods in bonded transit through the EU had not, in effect, entered the EU and hence could not be detained, although it accepted that if the goods could have been shown to pose a risk to consumers they would have been seizable.

The intricacies of internet trading using Keywords were explored by the CJEU over the last two years. From the *Google*

France case (C-236/08 to C-238/08) decided in 2010 it became clear that the use of Keywords was analogous to comparative advertising situations. If there is no room for doubt that there is no economic link between the trade mark owner and the advertised product, then the use of the Keyword is allowable on the basis of fair competition.

Following a referral by the English High Court in advance of the trial, the CJEU has ruled (C-323/09) that the use of the trade mark INTERFLORA by Marks & Spencer - even though it was not owned by them - on a website could fall within the ambit of fair competition so long as Marks & Spencer are able to demonstrate that they are offering an alternative rather than a mere imitation. The case has now returned to the High Court to determine. Where a trade mark proprietor has not complained about use of his trade mark as an "Adword" there is a danger that he has given tacit consent.

Following an infringement action in a French Community Trade Mark Court, questions arose as to the effect of an injunction issued by the French Court (C-235/09 *DHL v. Chronopost* in *WEBSHIP-PING*). The CJEU held that all of the other Member States should ensure that the injunction would have effect in an equivalent manner unless it is shown that there is a compelling reason for the original right to be unenforceable in the respective Member State. Where a Court imposed a measure requiring coercive measures such as periodic penalty payments for continued infringements other Member States must provide provisions such as to ensure that the prohibition is complied with in an equivalent manner.

Following a reference from the English High Court to the CJEU in *L'Oréal v. eBay* it was held (C-324/09) that samples marked "Not for Sale" had not been "put on the market" and also that repacked goods where origin details had been removed in the repackaging process were likely to damage the reputation of the trade mark proprietor. It was for the National Court to determine whether the eBay website was promoting an offer to trade in the EU and whether there was any adverse effect on any of the functions of a trade mark such that a reasonably well informed and observant

internet user might ascertain that the goods had emanated from the trade mark owner or an economically linked undertaking, or from a third party. There were grounds for an injunctive action against a Service Provider which played something more than a neutral role in presenting the offer for sale and/or which does not expeditiously remove unlawful items from the website upon notification from the trade mark proprietor.

The provisions of the Trade Mark Directive were considered extensively by the English High Court in *Data Card Corp v. Eagle Technologies Ltd* ([2011] EWHC 244 (Pat)) in relation to the supply of replaceable items using, in a “click-through” procedure, the plaintiff’s trade mark DATACARD on their Eagle website and on labels. Following the Opinion of the Attorney General in *L’Oréal v. eBay France* (C-326/09), it was held that in relation to the claim under Article 5(1)(b) there was a likelihood of confusion as to the economic link in the mind of the end user.

The BUDWEISER battle continued, with the CJEU ruling (C-96/09 and C-482/09) that a revocation action commenced just within the 5 year time limit from the date of registration (rather than the date of first use) was allowable. So far as the Directive was applicable, Article 4(1)(a) precluded recourse to the doctrine of

honest concurrent use. However, the English Court of Appeal’s judgement was allowed to stand, since the two UK registrations dated back to 1979, pre-dating the Directive. The marks had been used in good faith and the beers were clearly identifiable as originating from different concerns. “Use in the course of trade” could include deliveries made without charge but with a view to an economic advantage.

For the future, it seems likely that proposals - at least in Australia, but also possibly in the UK - for plain packaging measures for tobacco products will surface yet again. At first sight, such provisions potentially would be contrary to UK’s obligations under the Paris Convention and TRIPs.

2012 will also see how the London Olympic Games and Paralympic Games Act 2006 together with the Olympic Symbol etc Protection Act 1995 play out in practice both on the field and in the use of Keywords. The London Organising Committee of the Olympic Games (LOCOG) has the power to prevent the creation of any unauthorised association between a business, goods or services and the London 2012 Games in the course of trade.

David Lewis, 3 January 2012

Hargreaves Review – Call for Evidence in the Designs Sector

On 21 September 2011, the Government launched a call for evidence on how the UK intellectual property system can better support “our globally successful design industry”.

Design contributes in many important ways to the UK economy and the UK boasts some of the world’s best designers across a range of industries. This success is often not underpinned by formal protection of designs via design registration. Thus the IP Federation is fully supportive of any measures that can do more to support UK design innovation.

As discussed in the separate article in this issue on the Hargreaves Review of Intellectual Property and Growth, the role of IP in supporting this important branch of the creative economy has been neg-

lected. The lack of evidence was highlighted by Professor Ian Hargreaves in the review. In its response, the Government committed to gaining a better understanding of whether the design rights system in the UK is geared to the needs of business. Thus the Government issued the call for evidence in relation to the design sector in September and launched a supporting online questionnaire and survey aimed at business.

The IP Federation responded to the call for evidence on the closing date of 11 November 2011, in the form of its Policy Paper 17/11. This indicates that the members of the IP Federation fully support any measures which will encourage UK design innovation by the protection of designs and harmonisation of UK rights with other rights to increase the

coherence of the system without loss of protection (save in the area of functional designs). We are particularly in favour of:

- a review of the law by a judge-led panel; and
- improved search facilities for registered designs.

In addition to copyright, there are currently four systems covering designs:

- registered and unregistered designs, in both
- the UK and the EU.

The Government's response to the Har-

greaves review required the Intellectual Property Office (IPO) to publish their assessment of the case for simplification of the design right system, and in particular whether there is a need for a UK unregistered design right alongside the EU right, by the end of 2011. The IPO say information provided through the 'call for evidence' is a vital contribution that will enable them to meet this commitment.

On 19 December 2011, they issued a position paper which is said to show their intention to publish a formal consultation on how to move forward. The formal consultation is expected in 2012.

David England, 19 December 2011

Unintentional Infringement of UK and Community Rights Relating to Designs

In December 2010, the IPO launched a consultation asking interested parties what they considered was the best way of removing an anomaly in the law protecting designs.

There are four rights protecting designs under UK law as it stands. The anomaly is that there is *no* provision for damages or an account of profits to be awarded to the right owner for unintentional infringement of -

- (i) UK registered designs, and
- (ii) UK unregistered design right -

but there *is* such provision² for unintentional infringement of -

- (iii) EU registered designs, and
- (iv) EU unregistered design right.

In response to the consultation, the Federation in March 2011 argued (a) that the IPO was right to be concerned about the anomaly, and (b) that the best resolution of the anomaly was to harmonise the law so that *none* of rights (i) to (iv) entitled their owner to the above remedies for unintentional infringement. The Federa-

tion felt that fundamental considerations of justice, as well as economic considerations, supported this conclusion, as follows:-

- (1) An unintentional infringer is in any case exposed to the risk that if he is successfully sued by a right owner, the owner may get an injunction to prevent him from continuing to sell the relevant product, or else may impose a royalty on future sales. However, it would be wrong to regard a company as "negligent" or "irresponsible" if it fails to carry out investigations of third party design rights before it sells any new product. Investigations, even to arrive at a possibly flawed opinion, would be so costly that in general they would be a barrier to innovation, especially by SMEs. Penalties for unintentional infringement, where they exist, are a further barrier to innovation.
- (2) Right owners can reduce the risk of unintentional infringement by marking their own products and by writing letters.
- (3) If the unintentional infringer is liable to financial penalties, the right owner has an incentive to delay informing the infringer of the situation if he thinks this will increase what he will obtain in Court. This would be abusive.

² *J Choo (Jersey) Ltd v Towerstone Ltd* [2008] RWHC 346 (Ch). This decision, by Mr Justice Floyd, disagreed with the opinion in the previous edition of *Russell-Clarke and Howe on Industrial Designs*.

The Federation explained the high cost of investigations as referred to under (1) as follows. Official examination of registered designs is limited, so that they have little presumption of validity. Further, the existence of unregistered design rights cannot be determined without (a) alerting a potential claimant, or (b) use of enquiry agents: their terms run from dates which are not of public record;³ and furthermore the very subsistence of the UK unregistered design right depends on identities of the designer, his commissioner or employer if any, and of any person having certain exclusive rights.⁴

³ CDDA 1988, Section 216, and Article 11 of Community Regulation 6/2002/EC.

⁴ CDDA Sections 213(5) and 217 to 221. The subsistence of the right depends on national or

In addition, the Federation noted that there is *no* provision for damages or an account of profits to be awarded to the proprietor of a *patent* in respect of unintentional infringement. As a supporter of the *status quo* in relation to patents, the Federation did not wish any precedent to be set (especially having regard to the close similarity between patents and registered designs) that might lead in time to amendment of the law on patents.

A proposal for legislative action by the UK government is awaited.

Mike Jewess, 12 December 2011

geographical qualifications of the various persons referred to above.

ENFORCEMENT

Commission Consultation on the Enforcement Directive

The Enforcement Directive 2004/48/EC relates to the enforcement of all intellectual property rights. It was intended in particular to provide access to information concerning an alleged infringing activity to enable a right holder to make a case in Court, and even seizure of materials. The necessary powers were already possessed, for instance, by the Courts in England and France, but not in all other EU countries. The European Commission invited comments (due by 31 March 2011) on the functioning of the Directive from interested parties, with a view to its amendment in due course. The Directive has been felt wanting with regard to Internet-related infringements.

The Federation did not respond initially to the invitation to consult, leaving more specialised representative bodies to deal with the matter of Internet-related infringements. However, it did make a belated submission in the light of the submissions of other consultees, and this submission was acknowledged by the Commission. For instance, BASCAP,⁵ which is focused on counterfeiting and

piracy, made proposals which might well be appropriate purely from that admittedly important perspective, but which if applied to other infringements could have economically disruptive effects.

The Federation's submission (a) endorsed the cautious approach to change which had been adopted in the submission of the UK government, and (b) made the following key points:-

- (i) That anything should be avoided which increased the practical value of invalid patents, or encouraged trolls.
- (ii) That nothing should be done that changed the current UK provisions on damages.
- (iii) That the Directive should continue to confine itself to civil enforcement, and that no attempt should be made to direct member states to introduce criminal penalties.

(iii) above, in particular, is consistent with long-standing Federation policy. Criminal law generally is still so unharmonised across the EU that central direction relating just to IP is wrong. In any case, any extension of criminal penalties for IP infringement beyond their present

⁵ Business Action to Stop Counterfeiting and Piracy, based at the International Chamber of Commerce in Paris, but effectively independent of ICC.

scope in UK needs special and cautious consideration. Criminal penalties have no place in UK for infringement of patents (*Trends & Events*, 2004/5, second page of Preface) or registered designs or un-

registered design rights (*Trends and Events*, December 2010, page 13).

Mike Jewess, 12 December 2011

The EU Observatory on Counterfeiting and Piracy

2012 looks like being a significant year for intellectual property enforcement in the European Union. Whilst the ecommerce directive is unlikely to be reopened, the customs regulations are currently being considered, the Intellectual Property Rights Enforcement Directive (IPRED) is likely to be in the second half of the year and at some point the Anti-Counterfeiting Trade Agreement (ACTA) will come to the parliament for approval. As significant as these though will be the regulation extending the remit of the European trade mark office (OHIM/OAMI) to include responsibility for the delivery of the work of the European Observatory on Counterfeiting and Piracy.

If that sounds like a slightly dull technocratic shuffling of the European bureaucratic deckchairs, then think again. Whilst policy will remain with Unit D3 of DG Internal Market and the stakeholders of the Observatory will continue to set direction, OHIM will bring the capacity and resources actually needed to execute and deliver on many areas which have struggled to gain critical mass amongst competing priorities in Member States. A brief explanation of the history of the Observatory so far, its areas of work and where this new arrangement might lead should help to illustrate the significance of this move.

The Observatory was announced in April 2009, at the second high level conference on counterfeiting and piracy, but its origins lie in the French presidency of the European Council. In October of that year the first plenary meeting of the "private sector" stakeholders was held. This consisted of dozens of trade associations representing a myriad of sectors, both national and Europe-wide, as well as SME groups and the European consumers' association umbrella group. Five areas of work were set out: measurement; the legal framework; public awareness and perception; best practice sharing between the private sector and best prac-

tice sharing between public sector bodies. In November the Member State stakeholders met in Stockholm to cover the same ground. A cross party MEP forum was set up at the same time.

Three working groups were set up and met from the end of 2009. The group on measurement was tasked with helping to draft the terms of reference for a tender that D3 put out for a contract to establish a way to measure the impact of counterfeiting and piracy on the European Union. The legal working group looked at the way that various aspects of the civil system were working in Member States, and produced reports and recommendations which are available on line. The public awareness working group has focused on trying to establish a tool kit of resources that can be used to make delivery of awareness efforts easier and more efficient. This includes research about consumer attitudes, the messages that resonate; those that do not, which messengers are more influential; and guidance on how to build campaigns based on that research and example campaign materials.

With a staff of two officials working part time, and no budget other than for the tender, these meetings were infrequent and progress between meetings was slow. This period of the Observatory was marked by a lot of individual efforts from staff and stakeholders to help to deliver reports and events, such as the week long exhibition of counterfeits at the European parliament and the competition for schools "Real Fake" which culminated in a prize-giving with Commissioner Barnier, Yasmin Le Bon, several parliamentarians and around 150 children.

In many ways, the Madrid meeting of both the private and Member State stakeholders in June 2010 marks the end of that period, even though the working groups did continue to meet through until around February of 2011. From that July until the release of the EU IP Strategy on

25 May 2011, much of the Commission's resource was engaged in laying the ground for the involvement of OHIM in taking on the support for the Observatory. RAND had won the tender for the measurement work and the Commission published its consultation on the IPRED review. As part of the May IP strategy, a memorandum of understanding between OHIM and DG Markt was signed, setting out how OHIM would start to engage on Observatory work pending the passing of the regulation now under consideration.

In this current phase of the Observatory, OHIM has jumped in with gusto. It has held workshops with Member States on public awareness, agreed with the European Patent Office to take on future EU funded capacity building work (like the previous IPR2 project with China) and held discussions with Interpol about using their materials. Plenary sessions for the private sector in October and the Member States in December 2011 introduced the OHIM team and their ambitions to deliver some trial public awareness campaigns with member states in 2012 based on a completed tool kit. In February OHIM's president will present prizes for their "hands off my design" competition with Commissioner Barnier.

The EU needs an effective agency to bring efficiency to capacity building and technical assistance, and to make those efforts more transparent and accountable. OHIM looks well placed to do this.

In the US there has been a renewed effort in this direction by the USPTO as part of the strategy of the IP Enforcement Co-ordinator based in the White House. If Member States are to deliver on their various promises to raise awareness about piracy and counterfeiting and to change perceptions about social acceptability then having the support of a well-resourced partner in OHIM again makes sense.

There are questions about how far this will lead, as with any EU level initiative. Member States worry about sovereignty and about the role of their offices. Trade mark owners are rightly concerned that their services are not neglected and that their registration fees are not all diverted to fund economic studies of the operation of the protection of semiconductor topographies or the like. The OHIM board will need to play its role, as will the stakeholders in the Observatory, to ensure that OHIM remains accountable and focused on true priorities, as it seems to be at this point, but there is good reason to be optimistic that actions not just words will characterise activity on IP enforcement in 2012.

For more details see:

http://ec.europa.eu/internal_market/iprenforcement/observatory/index_en.htm

Chris Oldknow, 9 January 2012

EUROPEAN ISSUES

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 foundations for both an EU-wide patent and a unified patent litigation system (UPLS) in Europe. The Council Conclusions were 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 be continued on both dossiers.

This work continued throughout 2010, but the process stalled with Spain and Italy

refusing to agree upon the translation arrangements for the EU patent. The Belgian presidency said it would reflect upon the most appropriate steps for taking the dossier forward, and under "any other business" at the Competitiveness Council meeting on 26 November 2010, ministers took note of information concerning the possibility of an initiating an "enhanced co-operation" procedure between several Member States as a way forward with a view to creating a somewhat different version of the EU patent system. This procedure is, in effect, a coalition of the willing, and would give rise

to a “unitary” patent, but which had effect in only those countries taking part in the enhanced co-operation project. This was rapidly followed by a letter dated 7 December from 10 countries to the European Commission seeking use of the enhanced co-operation procedure. On 8 December Baroness Wilcox wrote on behalf of the UK government, similarly requesting enhanced co-operation.

The European Commission rapidly moved to support the request, announcing the submission of such a proposal on 14 December. This proposal was approved by the Legal Affairs Committee on 27 January 2011. In its policy paper PP01/11 of 31 January, the Federation welcomed the Commission’s proposal, but warned that:-

“Although there is an understandable desire not to lose momentum of the progress that has already been achieved, it is important not to rush proposals through without due care and full consultation.

The proposal to invoke enhance co-operation says very little about the litigation arrangements for EU patents. The Federation feels it is unthinkable to create an EU patent without a very clear idea of how such patents will be enforced and challenged. To this end, the Federation urges that both aspects of the EU patent reform project continue to be given at least equal priority.”

This warning became all the more prescient when on 8 March 2011 the Court of Justice of the European Union (CJEU) rendered its opinion that the previously submitted draft UPLS agreement was incompatible with the provisions of the relevant EU treaties. The significance of this was, of course, that the previously envisaged agreement would have to be modified so as to be compatible. Nonetheless, the Commission decided on 10 March formally to endorse the enhanced cooperation process. After some deliberation the Commission then decided that a way around the CJEU opinion on the UPLS could be found by excluding non-EU EPC states from the UPLS, and having this litigation system agreed under the auspices of a new international Court agreement which would be a Treaty entered into by

the consenting EU countries, rather than an EU legal instrument. There would thus be created what has henceforth been referred to as the Unified Patents Court (“UPC”). (There would also be a separate set of Court Rules regulating the detailed procedure of the UPC.) The Unitary patent, however, would still be created by an EU Regulation, and a further EU Regulation would also still be required relating to the language arrangements for the Unitary patent.

Thus, the nature of the project had, within the space of a few months, moved from a project to create a truly Unitary patent for the whole of the EU, together with a court system extending to interested EPC states, to a more limited “Unitary” patent and UPC system. By this time 25 Member States had signed up to the enhanced co-operation procedure; but Spain and Italy had let it be known that they regarded the scheme as unlawful, and on 3 and 10 June respectively filed suits with the CJEU seeking to annul the Council decision of 10 March which had formally endorsed the enhanced co-operation procedure. These suits had no suspensive effect, and it is expected that they will take around two years to be decided. A further consequence of the new arrangement was that the original intention that there should be EU funding for the new court system also fell by the wayside. Hence, the financial arrangements for funding the UPC were thrown into confusion.

Despite these very dramatic changes, the Hungarian Presidency rapidly issued (on 14 June 2011) a draft Court agreement based on the Council Conclusions of December 2009. Importantly, the proposal remained that the UPC would deal not only with the new Unitary patent, but also with existing European Patents designating participating states, subject only to limited transitional and opt-out provisions.

Naturally, the Federation was concerned to examine and comment upon these proposals. The UK IPO’s European Patent Reform Consultation Group (which includes representation from the Federation) invited interested parties to comment in detail upon the proposed arrangements, and various members contributed to the resulting paper entitled “Concerns of

Principle". In its Policy Paper PP15/11 of 22 September 2011, the Federation formally supported the "Concerns of Principle" paper.

Regrettably, however, the Polish presidency (which took over on 1 July) has pressed on with the dossier with undue haste, with the intention of reaching a full political agreement by the end of 2011. In doing so, the Poles have taken the view (vocally supported by the Commission despite it having no formal say in the matter) that large areas of the Court agreement were non-negotiable because the Hungarian draft had been based on the 2009 political agreement. Similarly, the draft Regulations re-issued by the Commission following the CJEU opinion have in effect also been non-negotiable. The result of this has therefore been that virtually all of the points raised by users have been totally ignored. There are perhaps three areas of very major concern, though there are many others of real importance.

Three major concerns

The first concern relates the inclusion of Articles 6-8 in the Unitary Patent Regulation. The Federation has issued PP19/11 (25 November) on this issue in an attempt to persuade MEPs to vote for the deletion of these provisions when the matter comes before the European Parliament for its approval early in 2012. At the time of writing, the EP Legal Affairs Committee looks set to endorse a version of the UPP with Articles 6-8 left in. The provisions are in the view of many totally unnecessary since they are duplicative of provisions in the Court agreement in any event. The view of the Commission on the other hand, is that they are necessary to make the Regulation less susceptible of attack by the CJEU. However, the effect will be to give the CJEU jurisdiction over infringement issues. The result would likely be long delays in cases whilst references were decided, and the same degree of confusion brought to the law as the CJEU has "achieved" in the area of trade mark law. The UK IPO's European Patent Reform Consultation Group has expressed the unanimous view that these provisions should be a "red-line", such that the UK should not participate in any arrangement which includes these provisions.

The second concern is of the combined effect the Court agreement provisions on bifurcation, constitution of local Court panels, and jurisdiction. Bifurcation is optional under the Court agreement. Local panels are to be made up of two local judges and one visiting judge (who may, therefore be out-voted). The jurisdiction provisions permit forum shopping. This combination could easily result in the German division (perhaps two German judges and one Austrian judge) routinely bifurcating, and issuing injunctions with no concern for validity. Their injunctions would, of course, be of pan-European effect. Further, under German jurisprudence, injunctions are never refused. Hence patent trolls will be empowered to an extent never before seen in Europe. Worse still, a rogue local Court could decide it should grant interim injunctions more easily than is normal to attract business. The result could be a European version of the Eastern District of Texas. To add insult to injury, present proposals include that SMEs (as most trolls would be) should have their Court fees subsidised by large industry's fees.

The third major concern is the total lack of any draft Court rules such that one cannot know anything about how the new Court would operate procedurally. States are being asked to sign up to an agreement to create a new Court with no real idea as to its mode of operation, and based on the past record, users can have no confidence that their concerns would be listened to.

So far as can be ascertained at the time of writing, the Competitiveness Council meeting of 5 December did not agree the final form of the Court agreement, but neither were the above concerns addressed. Debate appears to have centred on the location of the Central Division of the UPC. On this, the Federation has lobbied Baroness Wilcox by letter of 16 November (PP18/11), asking that the UK bid for the Central Division to be located in London, and most definitely not in Munich as Germany had suggested. The UK did indeed make a late bid, but the Polish Presidency has suggested that Paris be given this prize. (The Court of Appeal would be in Luxembourg, and the other minor prizes (the mediation and training centres) would go to Portugal, Slovenia and Hungary.)

It is still unclear, therefore, whether the initialing ceremony planned for Warsaw on 22 December will proceed. In view of the dire consequences for industry which would result from the arrangement as presently constructed, it is sincerely to be hoped not, and the Federation has, in PP20/11 (2 December 2011) urged that the UK should not initial, agree or sign anything which would preclude further discussion of the Federation's concerns. If the ceremony does proceed, then the understanding is that the wording of the Court agreement would be "locked". Hence, lobbying efforts will have to be

redoubled so that the agreement is revisited under the forthcoming Danish presidency despite this "lock". Alternatively, the UK might pull out and join Spain and Italy on the sidelines, or kill the proposal in its current form such that a better agreement could be negotiated in a more careful and considered manner. Failing that, it seems likely that much of industry will simply revert to the 1970s system of applying for national patents, and the progress of the last 40 years will have been undone.

Alan Johnson, 12 December 2011

Innovative tools and processes at the European Patent Office

The European Patent Office (EPO) is committed to harmonising its work with that of other patent offices around the world with a view both to increasing efficiency and quality. If anything, these efforts have accelerated under the current EPO president, Mr Benoît Battistelli. Principal forums in which harmonisation is discussed are the bilateral meetings with the US Patent and Trademark Office (USPTO), trilateral meetings also including the Japanese Patent Office (JPO) and the "IP5" group, which additionally includes the Chinese and Korean intellectual property offices.

The so-called "Common Citation Document" (www.trilateral.net/ccd) is one tangible outcome of a recent trilateral meeting. This tool, which is hosted by the EPO and uses the EPO's patent family database, gathers citation data (prior art) from patent family members filed at the three patent offices to present it in a single format, which may be viewed on one screen. The tool should simplify practitioners' work, by removing the need to access multiple databases. It may, for example, facilitate the more rapid assembly of Information Disclosure Statements for the USPTO.

The EPO continues to participate in the Patent Prosecution Highway (PPH) pilot programmes, both bilaterally with each of the USPTO and JPO, and within the framework of an examination under the Patent Cooperation Treaty. All of these pilots allow an applicant to request accelerated prosecution of a patent application on the basis of a positive examina-

tion report in one of the other offices (or via the PCT), provided that certain formalities are complied with. The data shows that fewer PPH requests are made for acceleration of patent applications at the EPO than are made to the USPTO or the JPO. This may, to some extent, be a consequence of applicants' ability to request accelerated prosecution at the EPO without using the PPH, but it may also be a reflection of a less positive stance toward the PPH by the EPO than by sister offices.

As regards the near future, the EPO is working bilaterally with the USPTO to devise a new patent classification system, the "Cooperative Patent Classification". Both offices will use this system, which will allow more thorough classification-based searches, and it should become operational from the start of 2012. The new classification may be a stepping stone on the road to IP5's "Common Hybrid Classification". Since the IP5 group handles about 90% of all patent applications worldwide, such a format would likely become a *de facto* global standard.

The EPO is not only active in collaboration with other offices, but also innovates on other fronts. In March 2011, the EPO announced a collaboration with Google[®] which provides Google's machine translation tool free of charge to users of EPO databases, such as Espacenet. The intention is to facilitate machine translation among the EPO's twenty seven languages and, eventually, to include Chinese, Japanese, Korean and Russian as well. As this article goes to press, machine

translations between English, French, German, Italian, Portuguese and Spanish are already available: the other languages should be phased in by 2014. In return, the EPO is making its entire library of patent translations available to Google to enable Google to optimise its machine translation technology for patent translation. A deal on machine translation of Chinese patents was announced by the EPO and the State Intellectual Property Office of the People's Republic of China (SIPO) on 29 November 2011.

Last, but by no means least, the EPO introduced an online portal during 2011 to facilitate the submission of third party observations. Importantly, following a letter from the IP Federation, the portal (<http://tpo.epo.org/tpo/app/form/>) was modified expressly to state that observations in relation to clarity may be submitted. This is significant, because a

lack of clarity is not an opposition ground, so such matters may not be addressed explicitly after grant, yet third parties are often best placed to explain why a given claim wording is unclear to the skilled person. Previously, some examiners had refused to consider third party observations concerning clarity of the claims of a European patent application, arguing that only objections to "patentability" (matters such as novelty and obviousness) could validly be raised.

It is to be expected that the pace of change will continue to pick up into 2012. In addition to the Common Hybrid Classification, IP5 is exploring a number of other common platforms which we shall more hear about in the near future. Of course, the most significant change for the EPO would be the Unitary Patent, if indeed it does come into being.

Richard Wilding, 16 December 2011

PRACTICE MATTERS

Practical issues – selecting an expert and getting the best out of them

Expert evidence is crucial in litigation before the English Patents Courts. A good expert witness will safely guide the Court through the perils of infringement and validity, but the corollary is that an apparently strong case can be defeated due to poor expert evidence. Although identifying the right expert is important, it is also vital to ensure that evidence from a good expert witness is not undermined by defective instructions or inadequate preparation. Perhaps most importantly, expert evidence must remain (and be seen to be) impartial, because any bias will quickly become apparent under robust cross-examination. This article examines a range of practical steps that can be taken to maximise the chances of a favourable expert performance in infringement and validity actions before the English Patents Court.

What characteristics should I look for?

When selecting an expert witness, it is important to remember that any person selected should satisfy two principal functions. Firstly, he or she is a maker of the mantle that will be donned by the

Court,⁶ and therefore needs to educate the Court about the technology in issue. This will require someone with knowledge and experience in the relevant field or a related one, who is capable of explaining the technology in a logical and coherent manner to the Court. It is desirable for your expert to be a fluent English speaker - if your expert will require translation assistance in Court, this will inevitably make their evidence more difficult to follow. Secondly, the expert also provides the Court with assistance on the issue of whether an alleged inventive step was obvious at the priority date, and persuasive evidence on this point is strongest from someone with relevant contemporaneous experience.

Ideally therefore, you are looking for someone who was working in the right field at the right time, and who does not have an inventive mind. In reality, it is rare to find someone who perfectly equates to the skilled person in relation to each of these requirements. It is

⁶ *Rockwater Ltd v Technip France SA* [2004] RPC 46, per Jacob LJ

possible for an expert witness to provide satisfactory evidence on obviousness even if they were not working in the relevant technology at the priority date, provided that they have the ability to place themselves in the position of the unskilled person having regard to the common general knowledge. However, the risk in selecting an expert witness who does not approximate to the skilled person is that the other side's expert may be better placed to provide evidence as to what may or may not have amounted to an inventive step at the priority date. A related consideration is that someone with experience at the priority date is better placed to determine what was (or was not) common general knowledge. In such a situation, the other expert's evidence is likely to carry more weight on the critical issue of obviousness. No matter how persuasive or how technically capable your expert is, without contemporaneous experience, it will be difficult for your expert to rebut the opinion of someone else who approximates to the skilled person.

Beware of the hired gun. You are looking for an expert, not an advocate. A well qualified expert with independent and honest views that happen to support your client's case will be a much better choice before the English Patents Court than someone who is silver-tongued with presentational flair, but is less well qualified. It is extremely unlikely that any expert witness will wholeheartedly agree with every argument that the instructing party might want to put forward. It is much better for the instructing party to sacrifice minor aspects of its case if the expert is ambivalent as to its merits, instead of trying to persevere with points that might expose the expert to accusations of partiality.

As a rule of thumb, if someone has already given technical evidence before a Court (or Patent Office) more than once, you will want to consider your position very carefully before appointing them as your expert. If you are tempted in this regard, you will need to do thorough research on the previous proceedings (including a detailed review of any expert reports, Court transcripts, and judgments). This will undoubtedly be time-consuming and costly, but you can be sure that the other side will go to the

same lengths in the hope of discrediting your expert witness. If background research indicates that your expert has in any way expressed contrary views on a similar topic, or acted as an expert in cases involving a range of technologies where their expertise is questionable, or been the subject of criticism from another tribunal, you should reconsider your position.

Where can I find an expert?

Once you have identified the preferred characteristics of your ideal expert witness, there are a range of sources that can be used to locate someone suitable. Litigating parties are often heavily involved in research and development in the relevant area at the priority date. Reviewing the network of existing and former employees is a good starting point. This will enable you to locate the names of potential experts who were active in the relevant technology at the priority date which is exactly what you need.

If you are not so fortunate, an alternative place to start is by contacting authors of prior art cited in the disputed patent. Depending on the technology in question, there can be a vast amount of resources available on the internet. Specialist online databases storing contemporaneous documents in the relevant technology often exist, and these will contain a wealth of prior art and potential experts. It is also worth looking out for conference papers (and conference attendance sheets if available), and databases run by industry bodies. When speaking to potential experts, remember to ask whether they are able to recommend alternative contacts of their own.

You must be aware of a potential expert's commercial links and interests, including their previous employment history. Although conflicts of interest do not necessarily disqualify an expert witness, the key question is whether the expert's opinion remains independent. Both an expert and an instructing party have a duty to disclose the existence of any potential conflict of interest,⁷ and any such disclosure should be contained in the expert report itself. Do not underestimate the amount of time that your

⁷ *Toth v Jarman* [2006] 4 All ER 1276

expert will be required to invest in writing their report - retirees can prove attractive candidates for this reason.

How do I instruct an expert?

The starting point for all expert witnesses is compliance with Part 35 of the CPR and its accompanying Practice Direction, and the Protocol on the Instruction of Experts.⁸ An expert has a duty to “help the court on matters within their expertise”. One practical implication of this duty is that an expert should state in their report if a particular issue falls outside their area of expertise. An expert’s duty to the Court “overrides any obligation to the person from whom experts have received instructions or by whom they are paid.”⁹ The Protocol articulates a useful test of independence - namely whether the expert would express the same opinion if given the same instructions by an opposing party.¹⁰ However, those instructing an expert in patent litigation must comply with a range of additional requirements, both procedural and substantive.

The recent decision of *Medimmune v Novartis Pharmaceuticals*¹¹ contains clear guidance from the High Court as to the sequence in which documents should be provided to an expert in patent cases. It is important to get this right when you first make contact with any potential expert, because it will not be possible to rectify any error at a later stage.

Firstly, the expert should be provided with the prior art, and asked to express his opinions on each individual document in light of the common general knowledge that existed at the priority date. It is self-evident that the instructing solicitors will have to ask specific questions to enable the expert to focus on the relevant areas (particularly because he or she will not be guided by the patent). For example, it will be necessary to ask the expert their views on obviousness. You may also want to reformulate the ob-

viousness question in accordance with the various different tests proposed in case law (e.g. the EPO’s problem / solution approach, obvious to try etc.). These interpretations may be put forward by the other side in their evidence, and it will be more difficult for the expert to consider any such reformulations after seeing the patent.

Secondly, the expert should be shown the priority documents, and provided with a series of questions, to ascertain what the priority documents disclose. Only after the expert has formed a view on the prior art and priority documents should the expert witness be shown the patent in dispute. The High Court also confirmed that the structure of the expert report should follow the same sequence.

Of course, situations will arise where it is not possible to comply with this prescribed sequence of documents being presented, for example, if prior art is introduced after the expert has already been shown the patent in dispute. However, in light of the Court’s clear guidance, these recommendations should be adhered to as far as possible to maximise the impact of the expert evidence, and avoid the reproach of the Court.

The hypothetical skilled addressee knows that a patent claim is for the purpose of defining the monopoly and that the claims are intended to claim something new. This knowledge can affect interpretation of the claim. In practice, experts are unlikely to be sufficiently knowledgeable about patent law, and an instructing solicitor is therefore required to educate the expert on these matters so that they possess these attributes of the skilled addressee. Indeed in the *Virgin Atlantic v Premium*¹² case the Court of Appeal held that the skilled person would have a degree of knowledge of patent practice e.g. the system of divisional patents and the role of reference numbers in the claims and the two part claim structure (pre-characterising and characterising parts).

The question of experiments may arise. There is a risk that experiments may undermine the case put forward by your

⁸ Creswell J. originally summarised an expert witness’ duties in *The Ikarian Reefer* [1993] FSR 563.

⁹ CPR Part 35.3

¹⁰ Para 4.3, Protocol on the Instruction of Experts

¹¹ *Medimmune Limited v Novartis Pharmaceuticals UK Limited and Medical Research Council* [2011] EWHC 1669 (Pat)

¹² *Virgin Atlantic v Premium* – CA [2009] EWCA 1062

expert, and such experiments must be disclosed where the expert is aware of them. As a matter of good practice, an expert should include the statement “I know of no experiment which is inconsistent with my evidence” in their report.¹³ A party should therefore carefully consider whether experiments should be conducted on a particular issue before instructing an expert to do so.

It goes without saying that the expert must be a believer in the case as well - without that he/she will become unstuck at trial.

The expert report

The House of Lords (now Supreme Court) has observed that some consultation between an expert witness and legal advisers is entirely proper, but emphasised that this should not affect the independence of the expert's evidence.¹⁴ The appropriate extent of cooperation will vary in each case, with special considerations applying in patent disputes.

In *Medimmune v Novartis Pharmaceuticals*, the High Court recognised that expert witnesses in patent actions stand in a rather unusual position. Mr Justice Arnold recognised that due to the complex technology and legal issues involved, expert reports are typically drafted by lawyers on the basis of what the expert has told them, with the draft being subsequently amended by the expert.¹⁵ The practical effect of this iterative process is that instructing lawyers “bear a heavy responsibility” to ensure that an expert witness is not put in a position where the expert can be made to appear to have failed in their duty to the Court. This duty goes further than simply providing the expert with copies of the relevant parts of the CPR and the Protocol.

The Court identified two potential pitfalls that could undermine expert evidence. Firstly, the instructing solicitors must draw aspects of the prior art, priority documents or patent which do not support the expert's opinion to the expert's attention and ensure that these matters

are specifically mentioned in the expert report so as to provide a balanced account. Secondly, the Court concluded that the expert report must disclose any previous involvement with a similar invention to that in the patent. In practice, this could result in a lengthy list of inventions of questionable relevance at the start of the expert report, but this is preferable to having your expert's evidence undermined through allegations of partiality.

Preparation for trial

Preparation and familiarity with the patent and prior art is key, and regular meetings in the run up to trial are important to ensure the expert is comfortable with their evidence. Additionally, the legal team instructing an expert should ensure the expert understands and is familiar with the other side's evidence, including any criticisms that are likely to be levelled at his/her expert evidence.

Your expert witness is unlikely to have experience of English litigation. It is therefore usually beneficial for the expert to attend court to watch expert cross-examination in the English Patents Court, in advance of trial. This reassures the expert, and provides an insight as to the extent to which their own evidence will be tested in Court.

Before the trial, the instructing solicitors should brief the expert on the layout of the room and Court procedure, and have someone on hand to bring the expert to Court on the first day of trial. It might also be appropriate to arrange accommodation and transport for the expert witness. These may seem like trivial considerations, but an expert who is not at ease is unlikely to perform to the best of their ability.

Many of the practical considerations regarding expert evidence apply equally in continental Europe, although the appointment process and specific rules on evidence vary depending on the jurisdiction. For example, in France, experts provide written statements on technical matters, but no cross-examination is possible. The Netherlands is somewhere in between the position in France and England, in that party-appointed experts are not subject to cross-examination, but there may be cross-examination where the Court ap-

¹³ Practice Direction (Patents Court) [1998] 1 WLR 1414

¹⁴ *Whitehouse v Jordan* [1981] 1 WLR 246

¹⁵ *Medimmune Limited v Novartis Pharmaceuticals*, as above.

points an expert. In Germany, experts are appointed by the Court (often on the suggestion of a party).

In the end success at trial can be dependent upon the expert report and the

way the expert comes across at trial. Preparation and care and close attention to the rules is key.

Huw Evans and Eibhlin Vardy,
16 December 2011

Preliminary injunctions alive and well – a view from Europe

How do European IPR holders prevent key competitors from launching or selling their products in valuable markets in Europe? The answer is simple: obtain a preliminary injunction (PI), also known as an interim or interlocutory injunction, to put a stop to the competition at an early stage. It worked for Pfizer in the UK, where the sale of generic Lipitor[®] was recently halted within a matter of hours. Similarly, within 24 hours, Novartis stopped Sanofi's at-risk launch of generic CoDiovan[®] in France. PIs have also recently been obtained by Apple against Samsung in respect of products in both the Netherlands and Germany.

Perhaps the reality for many companies is that life is not quite so simple. However, PIs are a very serious business and it looks as though they may be coming back into fashion. What is more, a number of courts across Europe seem to be showing signs of a greater willingness to grant them in the context of commercially important, high-value IP disputes.

Historically, PIs were developed by European national courts in order to provide fast and effective relief to IPR holders pending a full hearing on the merits, which could take several weeks or months. Today, the grant of PIs by European courts (now enshrined in Article 9 of the IP Enforcement Directive (2004/48/EC)) can provide an immensely powerful tool for companies who are under increasing pressure to stave off fierce competition from third parties in over-crowded market spaces.

Consider, for example, a company who succeeds in obtaining a PI against its competitor who is about to launch, the result being that the competing product is kept off key European markets for 6 to 9 months (the time it may take for a full hearing on the merits). Even if the company loses the case at the full hearing in its entirety (either because the IP

right is not valid and/or not infringed), the company might still be financially better off as a result of keeping the competing product off the market for many months - despite the potentially high costs of damages payable to the competitor and legal costs if it turns out the PI is lifted at trial. There may be further benefits to the company which are associated with extended market exclusivity - for example, the company may continue to enjoy brand development and brand loyalty during the life of the PI. The company may also have bought itself enough time to take other protective measures (legal or otherwise) to deal with the consequences of the eventual launch of the competing product.

The potential harm which can be caused to businesses by the launch of rival products is in some cases too grave to ignore. The result is that companies need to be adequately prepared and need to be able to move quickly, be it in making PI applications or responding to PIs. It is also of course important to note that PIs, if successfully secured, can very quickly trigger a rather different settlement between the parties than the sort of settlement agreement which had been previously envisaged by the parties (e.g. because of the nature of the ramifications imposed on the alleged infringer).

UK

In the UK, if the case is urgent, PIs can usually be obtained very quickly (e.g. within 1 month of the application). It is also possible to obtain a "temporary" PI (without the other party being heard) very quickly, pending a PI hearing between the parties. For example, in the case involving the launch of generic Lipitor[®] by Teva almost 1 year before expiry of the SPC protecting Lipitor[®], a PI was granted by Mr Justice Floyd against Teva and a number of its wholesalers within hours of the application being made, on the very day of product launch

(*Warner-Lambert Co LLC v Teva UK Ltd* (unreported, 20 June 2011)). The application was made within hours of the discovery of Teva's "surreptitious" launch. Thus one of the advantages of the English courts is that they are able to act very fast to provide temporary relief in urgent cases. It is also possible, for example, to make out-of-hours applications and applications by telephone. Another advantage for PI applicants is that there is usually a very limited assessment of infringement or validity in the UK; the applicant only needs to show that there is a serious question to be tried.

As with many European jurisdictions (with the exception of France, as explained below), the English courts apply the "balance of convenience" test in considering whether to grant a PI, i.e. what is the potential harm to one party compared to the other (assuming a "loss" at the PI hearing but a "win" on the merits) and whether that harm is capable of being compensated. For example, in the generic Lipitor® case, Mr Justice Floyd stated: "*It does seem to me that, even over a relatively short period until the application can be heard, there is a real risk of damage being caused to the market in this product.... The launch is obviously on a very large scale, involving at least two pharmaceutical retailers and millions of tablets.... Given those considerations, in my view, the balance of convenience over the very short period until the effective hearing of the application is in favour of [Pfizer]. I bear in mind that [Teva and its wholesalers] have not been notified, but it is not as if atorvastatin is not available from other sources*". In a further hearing, Mr Justice Floyd refused to grant the same relief against retail pharmacies who had already been sold the generic drug but continued to dispense the drug (*Warner-Lambert Co LLC v Teva UK Ltd* [2011] EWHC 1691). In coming to this decision, Mr Justice Floyd stated, "*It seems to me that once the product has found its way into retail pharmacies and is being dispensed then that is a situation which is not capable of remedy by virtue of injunction. The actual dispensing of the product is not the basis of the harm to [Pfizer]. It is the sales of the products by the wholesalers which is the source of the damage.*" (This position with respect to pharmacies is to be contrasted with

the French CoDiovan® case referred to below.)

In reaching his decision Mr Justice Floyd was clearly influenced by the fact that Teva had not tried to clear the way and, in previous correspondence with Pfizer, had indicated that it would not launch ahead of the SPC expiry. However, the decision was made on the basis that Pfizer would suffer irreparable harm by the Teva launch, in particular there would be massive price erosion from which Pfizer would be unable to recover. This case can be contrasted with the position of Cephalon when it tried and failed to obtain a PI against Orchid to prevent Orchid from dealing in generic modafinil (*Cephalon Inc v Orchid Europe Ltd* [2010] EWHC 2945). Importantly, in the Cephalon case, Mr Justice Floyd noted that Orchid had failed to make any attempt to clear the path. However, on the evidence Cephalon would not suffer irreparable harm by a PI not being granted but that Orchid would. The reasoning being that Cephalon would be able to reinstate its full pricing following a successful outcome on the merits but Orchid would not ever be able to recover the position it had as the first generic to market.

France

In France, the courts can also act on a speedy basis to grant wide relief to applicants. For example, in the generic CoDiovan® case, following request by Novartis, the President of the Paris First Instance Court granted an injunction against Sanofi at 1 p.m. on the day after the generic product was launched. Sanofi was further ordered to recall its generic products from its distribution channels, including from pharmacies. In coming to its decision, the French court stated that, "*Novartis sufficiently evidenced that the premature launch of a generic product on the market, even during a relatively short period of time, is of a nature to create a severe harm through the loss of clientele and the decrease in prices it necessarily leads to.*"

Another significant advantage for PI applicants in France is that there is no real requirement of urgency (unlike most of the key European jurisdictions) and the French courts generally do not apply the "balance of convenience" test. Hence the

fact that an infringing activity may have continued for many months to the knowledge of the applicant will not of itself deprive an IPR holder from obtaining a PI. However, applicants should also be aware that they are required to demonstrate a strong case on its merits; and in practice this usually means a relatively detailed assessment of infringement and validity.

Germany

In Germany, although it is possible to obtain a speedy PI without the other party being heard, the court must first be persuaded that an oral hearing, where both sides are represented, is not necessary (an oral hearing could delay matters by 20-40 days). Interestingly, the German courts have in the past tended to order an oral hearing where there was doubt as to whether infringement and/or validity of the IPR was sufficiently certain - for example, in complex patent actions, or in cases where the alleged infringer had filed protective writs in the relevant German courts (alleging invalidity of the IPR in case a PI action was initiated). However Apple was recently able to secure a PI against Samsung in the courts of Düsseldorf. Notwithstanding Samsung's protective measures, Apple was still able to quickly and successfully secure a PI without Samsung being present on the basis that infringement and validity of the IP right was adequately demonstrated. As the court put it, "*The preliminary injunction is admissible. The application for preliminary injunction is at any rate sufficiently definite to the extent that claims under Design Protection Law are asserted.*"

Netherlands

In the Netherlands, PIs may be obtained provided the applicant shows there is real urgency and the matter requires an immediate remedy. One advantage for the PI applicant is that it is not strictly required to give any form of bond or undertaking to the alleged infringer. However, in practice, there are not that many examples of PIs being granted by the Dutch courts in complex cases, especially complex patent cases. Furthermore, hearings without one of the parties have only recently come about in the Netherlands as a result of the IP Enforcement Directive. To date, there has been only one patent case (dated 8 January 2010) in

which PI has been granted on this basis.

Pan-European measures

Given the subtle differences in each of these national courts, European IPR holders may be asking themselves, would it not be simpler and easier just to approach one national court and obtain a pan-European PI to cover a number of jurisdictions? The answer is yes, and pan-European injunctions are in fact possible where the relevant IPR is a community trade mark (CTM) or a registered community design (RCD). This approach makes sense as CTMs and RCDs are, after all, unitary rights which ought to be protectable in such a way so as to afford temporary relief to IPR holders simultaneously across a number of European jurisdictions.

The position is, however, quite different for patents: as companies are only too painfully aware, European patents are bundles of national rights. The result is that obtaining a pan-European PI for infringement of patent rights is much more difficult. In the past, the Dutch courts have shown an ambitious willingness to grant pan-European injunctions in patent cases, although this was later somewhat restricted by introducing the "spider in the web" doctrine (which effectively said the Dutch courts would only assume jurisdiction and grant pan-European injunctions in cases where the primary defendant was domiciled in the Netherlands). In contrast, the English courts have shown a real reluctance to assume jurisdiction over matters involving foreign patents. The position was eventually clarified in the judgment of the Court of Justice of the European Union in *Roche v Primus* (C-539/03), which held that if patent validity was in issue (either by way of an action or a plea in response to infringement), then the courts of the country where the patent is registered have exclusive jurisdiction (under Article 22(2) of the Brussels Regulation (44/2001)). In practice, alleged patent infringers will almost always raise patent validity as an issue and therefore the possibility of pan-European PIs is now severely limited for patents.

Conclusions

Whatever the approach taken by PI applicants, there are some "golden rules" which a company should try to follow if it

finds itself seeking a PI in a jurisdiction (or a number of jurisdictions). First, it is important to gather as much evidence and information to support the PI application as quickly as possible. For example, if the infringing product is about to be launched, the applicant should speak directly to the sales and business teams “on the ground” to gather evidence of the suspected launch, as well as constantly monitor the situation with the business right up until the PI hearing. Secondly, the company must fully understand all of the ramifications of any “cross-undertaking” or security given to the alleged infringer in order to compensate that alleged infringer if a PI granted is subsequently lifted at trial because of non infringement or invalidity of the underlying right. If the company ultimately loses on the merits, then the financial consequences of having successfully obtained a PI could be significant. Finally, the company must be adequately prepared for the result of the application - a loss could be very costly due to entry of the competing product on the market.

For those companies who fear a PI application made be made against them, it is advisable to take protective measures where possible. For example, the practice of filing protective writs in Germany and the Netherlands could prevent a PI without being heard (but of course may not always succeed - it did not in *Apple v Samsung*). In France and Belgium, where there may also be a risk of the IPR holder obtaining a *saisie contrefaçon* (seizure of infringing goods), steps can be taken by

the relevant employees in their dealings with the bailiff so as to minimise any damage to the infringer’s case (for example, asking the bailiff to refrain from carrying out any searches until their instructed lawyer arrives at the premises, and asking for any confidential documents to be shielded from the other party). Other protective steps include gathering evidence on why the PI application should be refused (which could include, for example, allegations of delay and reasons why damages alone would be adequate remedy). On a practical level it is important that the business understands the full impact of a PI so that they are able to deploy a contingency plan if a PI is granted.

Finally, the role of publicity should not be underestimated. A party who succeeds in obtaining a PI will be inclined to spread the word about their victory. Against that positive PR will be the fact that a competing product is kept off the market which of course gives consumers less choice and which may not be viewed favourably by the market as a whole.

In the end, being adequately prepared is the best advice for any party involved in a PI application - because in practice, events usually unfold very quickly. And as demonstrated by the examples of recent cases above, some European courts are certainly not shy about granting PIs having a wide scope. So it seems PIs are alive and well at least in parts of Europe.

Huw Evans and Pam Taak, 16 December 2011

UK ISSUES

The Hargreaves Review

The independent report by Professor Ian Hargreaves published in May 2011 under the title: “Digital Opportunity - A Review of Intellectual Property and Growth”. The review had been commissioned in November 2010 because of concerns that the existing IP legal framework was not effective in supporting and promoting innovation and growth in the UK.

The terms of reference focused on identification of barriers to growth in the IP system, and how to overcome them,

and how the IP legal framework could be adapted to enable new business models being developed in the new digital age.

The review team met with many organisations during the review period, held a number of events with interested groups, commissioned and reviewed research, and received almost three hundred documents giving written evidence.

The review reported its findings in 11 chapters and included 10 recommenda-

tions. In fact, there were other recommendations within the document and one particularly important recommendation from the Patent Judges in England and Wales which the review urged the government to implement.

Ten recommendations

The ten recommendations are as follows:

1. **Evidence.** Government should ensure that development of the IP System is driven as far as possible by objective evidence. Policy should balance measurable economic objectives against social goals and potential benefits for rights holders against impacts on consumers and other interests. These concerns will be of particular importance in assessing future claims to extend rights or in determining desirable limits to rights.

2. **International priorities.** The UK should resolutely pursue its international interests in IP, particularly with respect to emerging economies such as China and India, based upon positions grounded in economic evidence. It should attach the highest immediate priority to achieving a unified EU patent court and EU patent system, which promises significant economic benefits to UK business. The UK should work to make the Patent Cooperation Treaty a more effective vehicle for international processing of patent applications.

3. **Copyright licensing.** In order to boost UK firms' access to transparent, contestable and global digital markets, the UK should establish a cross sectoral Digital Copyright Exchange. Government should appoint a senior figure to oversee its design and implementation by the end of 2012. A range of incentives and disincentives will be needed to encourage rights holders and others to take part. Governance should reflect the interests of participants, working to an agreed code of practice.

The UK should support moves by the European Commission to establish a framework for cross border copyright licensing, with clear benefits to the UK as a major exporter of copyright works. Collecting societies should be required by law to adopt codes of practice, approved by the IPO and the UK competition authorities, to ensure that they operate

in a way that is consistent with the further development of efficient, open markets.

4. **Orphan works.** The Government should legislate to enable licensing of orphan works. This should establish extended collective licensing for mass licensing of orphan works, and a clearance procedure for use of individual works. In both cases, a work should only be treated as an orphan if it cannot be found by search of the databases involved in the proposed Digital Copyright Exchange.

5. **Limits to copyright.** Government should firmly resist over-regulation of activities which do not prejudice the central objective of copyright, namely the provision of incentives to creators. Government should deliver copyright exceptions at national level to realise all the opportunities within the EU framework, including format shifting, parody, non-commercial research, and library archiving. The UK should also promote at EU level an exception to support text and data analytics. The UK should give a lead at EU level to develop a further copyright exception designed to build into the EU framework adaptability to new technologies. This would be designed to allow uses enabled by technology of works in ways which do not directly trade on the underlying creative and expressive purpose of the work. The Government should also legislate to ensure that these and other copyright exceptions are protected from override by contract.

6. **Patent thickets and other obstructions to innovation.** In order to limit the effects of these barriers to innovation, the Government should:

- take a leading role in promoting international efforts to cut backlogs and manage the boom in patent applications by further extending "work sharing" with patent offices in other countries;
- work to ensure patents are not extended into sectors, such as non-technical computer programs and business methods, which they do not currently cover, without clear evidence of benefit;
- investigate ways of limiting adverse

consequences of patent thickets, including by working with international partners to establish a patent fee structure set by reference to innovation and growth goals rather than solely by reference to patent office running costs. The structure of patent renewal fees might be adjusted to encourage patentees to assess more carefully the value of maintaining lower value patents, so reducing the density of "patent thickets".

7. The design industry. The role of IP in supporting this important branch of the creative economy has been neglected. In the next 12 months, the IPO should conduct an evidence based assessment of the relationship between design rights and innovation, with a view to establishing a firmer basis for evaluating policy at the UK and European level. The assessment should include exploration with design interests of whether access to the proposed Digital Copyright Exchange would help creators protect and market their designs and help users better achieve legally compliant access to designs.

8. Enforcement of IP rights. The Government should pursue an integrated approach based upon enforcement, education and, crucially, measures to strengthen and grow legitimate markets in copyright and other IP protected fields. When the enforcement regime set out in the DEA becomes operational next year its impact should be carefully monitored and compared with experience in other countries, in order to provide the insight needed to adjust enforcement mechanisms as market conditions evolve. This is urgent and Ofcom should not wait until then to establish its benchmarks and begin building data on trends. In order to support copyright holders in enforcing their rights the Government should introduce a small claims track for low monetary value IP claims in the Patents County Court.

9. Small firm access to IP advice. The IPO should draw up plans to improve accessibility of the IP system to smaller companies who will benefit from it. This should involve access to lower cost providers of integrated IP legal and commercial advice.

10. An IP system responsive to change.

The IPO should be given the necessary powers and mandate in law to ensure that it focuses on its central task of ensuring that the UK's IP system promotes innovation and growth through efficient, contestable markets. It should be empowered to issue statutory opinions where these will help clarify copyright law. As an element of improved transparency and adaptability, Government should ensure that by the end of 2013, the IPO publishes an assessment of the impact of those measures advocated in this review which have been accepted by Government.

Government response

The Government published its response to the report in August 2011 and included a table giving its proposal for action in relation to each recommendation and indicated a timing for the action. At the same time as publishing its response, the IPO published a document outlining the UK's international strategy for IP. The Government's response to the report had indicated that it was prepared to make changes to the IP system to better serve the UK economy but conceded that it had to work within the many constraints of international agreements and European law, and would have to persuade international partners in order to make some of the changes recommended. Particular points of interest from the Government response include the following:

Recommendation 1 that evidence and not "lobbysomics" should drive IP policy was acted upon very quickly and the IPO has established a strong economics team. The team has published a research programme and started a number of projects. The Government has made it clear that limited weight will be given to evidence that is not sufficiently open and transparent in its approach and methodology but acknowledges the difficulties that SMEs have in assembling evidence.

Recommendation 2 was considered in the UK's international strategy for IP document. The Government has indicated that the IPO should continue and expand its activities within WIPO, EPO, OHIM and other international organisations. They have proposed the establishment of a network of IP attachés in strategically important countries to promote UK business interests and support UK businesses

with IP issues.

In the EU, the Government has indicated that it intends to push hard for agreement on a unitary EU patent which delivers real benefits for business. As will be seen in the separate article in this issue, the likelihood of obtaining a suitable unitary EU patent, and particularly the associated court system, is looking increasingly unlikely. The review quoted research that suggested that removal of EU country barriers in IP could increase UK national income by over £2 billion a year by 2020; however, it is likely that the system being proposed at this time will lead to a loss of UK national income rather than a gain.

Recommendation 3 proposed the setting up of a Digital Copyright Exchange (DCE). It is not possible to have a compulsory DCE in view of the provisions in the Berne Copyright Convention but the Government believes such a system could be set up with incentives that would make it attractive to rights owners. The Government has appointed Richard Hooper as the senior figure who would oversee and implement the DCE. In addition to encouraging the music industry and other industries to join the DCE, there will be a consultation on voluntary codes of practice for collecting societies.

The Government has confirmed in its response to Recommendation 4 that it will be bringing forward proposals for dealing with orphan works. It is likely that the proposal will be linked in some way to the DCE proposal.

Recommendation 5 was considered by many to be the most contentious of the recommendations in that it covered the copyright exceptions. A consultation paper is expected before the end of 2011 and is likely to propose bringing those in the UK copyright laws fully into line with the broadest range of exceptions given in the EU Copyright Directive. The Government has also suggested that it intends to work with The European Commission and the EU member states to further amend the exceptions to copyright to enable the law to adapt to new technologies rather than inhibit them. The Government intends to permit non-commercial text and data mining but whether this will be sufficient to enable the new research

tools proposed for analysis of published medical data to produce meaningful results is to be seen. The consultation paper will also bring forward proposals for dealing with attempts by copyright owners to negate the exceptions by use of contract terms.

The review had little to say on the substantive law on patents in its recommendation 6 and consequently the response also had little say other than to confirm that the IPO will resist attempts to permit protection of inventions of a non-technical nature; business methods will only be considered for patent protection if they fulfil the requirement of being technical. Those wishing to see the law changed in this area will have to bring forward evidence that any changes will promote innovation and growth.

The Government response has confirmed the IPO's commitment to reducing patent backlogs and will seek to further develop work-sharing with other patent offices where quality control can be assured. The one area of the patent section of the review that was considered contentious by some industry sectors concerns patent thickets; the Government has made no proposal for dealing with thickets but has requested the IPO to commission and publish research on the scale and prevalence of patent thickets. The first thing that needs to be done in this area is to define what is meant by a patent thicket and then determine whether thickets exist.

Although not formally within the remit of the Hargreaves review, the number of submissions which cited problems with the overlapping scope of design rights, whether registered or unregistered and whether European in origin or UK rights, together with doubt about the scope of coverage of designs by the copyright acts strongly suggested that the system for protection of designs was not fit for purpose. Recommendation 7 was welcomed by the designs branch of the creative economy, not least because it acknowledged its importance to the UK economy. The IPO economics team have published a number of papers on the design system and a proposal for simplification of the design system is expected in late 2011 or early 2012.

Recommendation 8 of the review covered a number of aspects in relation to enforcement of rights. The success of the Patents County Court (PCC) under its new leadership has been widely welcomed although there is still work to do to ensure SMEs are aware of the PCC and are able to take advantage of its service. The Government confirmed in its response to the review that it would, subject to establishing the value for money case, introduce a small claims track in the PCC for cases with £5000 or less at issue, initially at a low level of resource to gauge demand, making greater provision if it is needed. This work on the value for money case has now been completed and it has been confirmed that a new small claims track will be introduced at the PCC. It is anticipated that this will come into effect some time in 2012.

The IPO has been given the remit to improve accessibility of SMEs to the IP system in order to fulfil the recommendation 9 of the review. It is still to be seen how the IPO will achieve this aim and the closing of the IPO's Search and Advisory service in November 2011 will not have helped.

The Government has committed to make changes to the IPO that will make it focus better on its role in supporting innovation and growth whilst still retaining its primary role as a rights granting authority. It has confirmed that the policy advisory role will remain within the IPO but has

committed the IPO to offer its economic analysis of policy issues for public scrutiny and carry out its policy development more transparently. The other aspect of recommendation 10 which caused some concerns when the review was published concerned the idea of the IPO offering a copyright opinions service; the IPO's plans for this service have yet to be published.

The recommendation in paragraph 10.26 of the report which came directly from the Patent Judges in England and Wales was that a full review of the Copyright Act was overdue; the Ministers were urged in the report not to allow constraint of Parliamentary time or other considerations to prevent the copyright Act being brought up to date. It appears that Government intends to reflect upon this recommendation in the context of the other policy measures but it has not given any timetable for doing so other than suggesting that an effective copyright opinions function in the IPO could help establish priorities for legislative change by identifying areas of practical uncertainty. The fact that there is a need for a copyright opinions service surely suggests that the Copyright Act is not in a suitable shape for modern business and commerce and strongly teaches away from further delay in having the Act reviewed by a judicial committee.

Roger Burt, 15 December 2011

The UK Intellectual Property Office and Ipsum

Following the Hargreaves Review, a number of public consultations have been set up and various publications have been issued by the UK Intellectual Property Office (IPO) in 2011. The IP Federation has provided comments where appropriate.

One area on which the IP Federation has consistently lobbied the IPO is the provision of an online file inspection facility. We have been pleased to see that 2011 at long last saw the introduction of Ipsum - the Online Patent Information and Document Inspection Service - by which online file inspection as well as patent status information is provided. The IP Federation was invited

to participate in a trial run of Ipsum, following which the full public service was launched in early October by Baroness Wilcox, the Minister for Intellectual Property. Ipsum allows access not just to status information and IPO issued documentation such as examination and search reports, but also to many other documents and information from the IPO files including applicant communications, third party observations, and search fields and classifications utilised for a particular UK patent right. As interest grows in collaborative search and examination between Patent Offices, this can only enhance the IPO's standing and participation in such projects.

The PPH (Patent Prosecution Highway) system marches onwards, but with an increasingly complex and confusing number of possibilities for ways in which to expedite patent grant in various countries. The complexity of the systems now in place must be a huge deterrent to utilisation of a system that had the potential to reduce the delays to achieving patent grant for those Applicants wanting early grant and protection to support products taken quickly to the marketplace. The IP Federation has always 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, and we look to the IPO to use its influence within the PPH process to

simplify and streamline the various PPH systems that exist yet without losing the confidence of users in the quality of the patent grants that result.

The IP Federation continues participation in the PPWG group (the Patent Practice Working Group) but has been saddened to note the closure of the IPO Patent Search and Advisory Service on 6 October 2011, the most because the closure occurred at short notice and without any advance alert or consultation with the PPWG group. It is hoped that this will be just a blip in what otherwise has been a steady improvement in user consultation and co-operation between the IPO and the IP Federation.

Carol Arnold, 9 January 2012

US ISSUES

The America Invents Act harmonises US IP law with international practice, but invokes significant changes which will fundamentally impact US IP strategies

On 16 September 2011, US President Barack Obama signed the America Invents Act (AIA) into law and instituted the furthest reaching changes to US Intellectual Property Law in approximately 60 years. Despite ostensibly key provisions directed to global harmonisation, the new US legislation will affect IP strategies of global firms which have an eye toward the US market. The key provision of the AIA which reflects a shift to global harmonisation is, of course, the well publicised migration of US IP law to a first-inventor-to-file system. Previously, the US had been the sole system based on a first-to-invent system. However, beyond this well publicised and fundamental shift are a number of additional key provisions - provisions that will impact the building and enforcement of a strong IP portfolio in the US marketplace. The new legislation will present enhanced opportunity for strategic development and enforcement of IP rights in the US if fully understood and exploited. Key provisions which go beyond first-to-file harmonisation include, for example:

- (1) an 18 month delayed transition to the first-inventor-to-file system;
- (2) expanded prior use rights;
- (3) new US Patent and Trademark Office (USPTO) procedural tools for improving the strength of a patent owner's portfolio; and
- (4) new USPTO procedural tools for enhancing third party challenges to a US patent, such as expanded prior art effect of patent applications filed outside the US and a new post grant review procedure.

Background

The AIA has arrived with approximately 6 years of anticipation, and at a time where we find the US Federal Court system actively working toward improving the predictability of a US patent's legal scope and strength. Exemplary 2011 US federal court decisions which reflect this push toward predictability include the US Supreme Court decision in the *Microsoft v. i4i* case regarding the high standard for challenging patent validity in federal court. The en banc decision of the US Court of Appeals for the Federal Circuit (CAFC) in the *Therasense v. Becton Dickinson* case addressed a heightened standard for proving the unenforceability of a

patent due to inequitable conduct. These high court decisions illustrate a trend toward enhanced deference to the USPTO and recognition of patent strength in the US market. As such, these decisions highlight the benefit of a strong US portfolio which has been strategically developed to preserve and/or grow revenue.

The US federal courts are also working towards controlling the monetary damage awards in the US with rulings such as the 2011 *Uniloc USA v Microsoft* decision of the CAFC wherein review of a \$388M damage award was ordered because the calculation mechanism was deemed to be “fundamentally flawed”. The CAFC effectively held that damage calculations must be tied to the specific facts at hand, and that a market value of a product must be assessed relative to evidence that a patented component (i.e., a claimed component) served as a basis for customer demand. This decision highlights the importance of developing patent claim sets to maximise patent value and ensure maximum leverage in court and in the marketplace.

The AIA provides mechanisms which will complement these decisions by providing tools for strengthening a US patent and/or for challenging a patent's scope within the USPTO. These tools, if properly exploited, can be used to optimise the value of a patent portfolio and afford enhanced risk management.

18 month delayed transition to a first inventor to file system

Although many provisions of the AIA became effective with the 16 September enactment, the key feature regarding a first-inventor-to-file system does not take effect until 16 March 2013. The practical result of this delayed enactment is that the US IP system will be a dual track system for the foreseeable future. Patent applications filed prior to 16 March 2013 will remain subject to the existing first-to-invent system and all of its ramifications. One noteworthy ramification is that applications filed prior to 16 March 2013 can rely on a proven date of invention conception to defeat prior art which predates the US filing date.

Enactment of the first-inventor-to file system will also trigger amended conditions for patentability under 35 USC Sec-

tions 102 and 103. For example, applications filed on or after 16 March 2013 will be deemed to have been effectively filed as of the earliest application that describes the subject matter. The earliest date can be the date of an earlier filed application to which a right of priority is claimed. This measure is significant, as it effectively eliminates the need to establish a “102(e)” filing date in the USPTO to establish a prior art date for applications filed on or after 16 March 2013.

A further ramification is that public use or sale activity, regardless of whether it occurred outside the US, will be effective prior art in the USPTO. This is a significant departure from the prior 35 USC Section 102, which only recognised such activity as prior art if the activity occurred in the US. Inventors will continue to benefit from a one year grace period, so that their own public use or sales activity will not impact the ability to secure a US patent if the patent application is pursued within the one year period.

Expanded prior use rights

The AIA will establish an expanded prior use defence to infringement under 35 USC Section 273. Generally speaking, the defence will be available to those who practice any patented invention commercially in the US at least one year before the earlier of the effective filing date of the patented invention or the date on which the claimed invention was disclosed to the public (provided such disclosure occurred within the one year grace period afforded the inventor). The AIA provides a significant expansion of prior use rights in the US, as such rights had previously only been available for business methods.

USPTO procedural tools for enhancing patent strength

A new set of tools will be available for patent owners to strengthen their US patent portfolio. These tools can be strategically used in concert with the existing Reissue procedure and/or the *Ex Parte* Reexamination procedure. Most notable are the new Supplemental Examination procedure and the Prioritized Examination procedure.

Supplemental Examination: A new procedural tool intended to allow patent owners to request a supplemental

examination of a granted patent for purposes of considering additional prior art that was, for example, within the patent owner's possession during the original prosecution of a US patent application, but not formally submitted to the USPTO in an Information Disclosure Statement (IDS). Such prior art could, if not formally considered by the USPTO, be alleged in a later litigation to constitute a basis for inequitable conduct. Where inequitable conduct is found to exist, an entire patent can be held unenforceable even if all claims are deemed valid and infringed. The supplemental examination procedure, in tandem with the aforementioned Therasense decision, is directed to reducing the time and expense associated with litigating issues of inequitable conduct.

Prioritized Examination: A new procedural tool directed to allowing patent applicants an option of having applications directed to technologies deemed important to the national economy or competitiveness examined out of turn in an expedited fashion. Such a tool can be used, for example, where quick allowance of a patent is important to deter competitors from entering into a lucrative market of the patent owner.

USPTO procedural tools for challenging a US patent

New tools will also be available for third parties to challenge a US patent portfolio. These tools can be used in concert with existing Ex Parte Reexamination. Most notable are the new Post Grant Review procedure, a new Derivation procedure, and the new Inter Partes Review procedure. A new pre-grant Preissuance Submission will also be available to provide an expanded window for third parties to submit prior art to the USPTO in a pending application.

Post Grant Review: A new procedural tool

by which a third party can challenge a granted patent in the USPTO on any statutory grounds, including grounds beyond prior art such as enablement and written description. Such a procedure must be initiated within a 9 month window following the grant of the patent.

Derivation Proceeding: A new procedural tool for establishing that an inventor named in an earlier filed patent application derived the claimed invention from an inventor in a later filed application, without authorisation. Such a procedure must be instituted within one year from the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim.

Inter Partes Review: A new inter partes reexamination proceeding will be available as a tool for third parties to challenge a granted US patent at any time from the close of the 9 month Post Grant Review window through the remainder of a patent's life.

Additional provisions

A number of other provisions have been instituted by the AIA. For example, there are AIA provisions to address such issues as facilitating marking of products, and joinder of multiple parties in a US litigation. Also, the implementing rules for many of the procedures mentioned herein have yet to be promulgated.

Suffice it to say that the many provisions addressed by the AIA highlight the broad scope of the AIA's impact upon US IP law, and all aspects of this legislation should be fully understood to best exploit the opportunities it will provide to build a strong US IP portfolio.

Patrick C. Keane, Buchanan Ingersoll & Rooney PC, and Bobby Mukherjee,
16 December 2011

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.



IP Federation members 2011

The IP Federation 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. Its Council also includes representatives of the CBI, and its meetings are attended by IP specialists from three leading law firms. It is listed on the joint Transparency Register of the European Parliament and the Commission 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
Caterpillar U.K. Ltd
Delphi Corp.
Dyson Technology Ltd
Eli Lilly & Co Ltd
ExxonMobil Chemical Europe Inc
Ford of Europe
Fujitsu Services Ltd
GE Healthcare
GKN plc
GlaxoSmithKline plc
Hewlett-Packard Ltd
IBM UK Ltd
Infineum UK Ltd
Merck Sharp & Dohme Ltd
Microsoft Limited
Nokia UK Ltd
Nucletron Ltd
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