



Advancing Industry's View On Intellectual Property Since 1920

TRENDS AND EVENTS
2005 / 2006
ANNUAL REVIEW





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

Objects

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

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

Activities

The Federation initiates proposals and follows all developments at national, European and international levels across all fields of intellectual property. The Federation has a close relationship with the Confederation of British Industry (CBI) and provides much of the professional input on intellectual property matters to the Confederation, as well as representing it in meetings of the Union of Industrial and Employers' Confederations of Europe (UNICE) concerning intellectual property. TMPDF is also an invited observer at diplomatic conferences and meetings of standing committees of the World Intellectual Property Organisation (WIPO).

Contacts

The Federation maintains good contacts with the UK Patent 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. TMPDF is also represented on other bodies which advise the European Patent Office. In the UK, it is represented on the Users Committees of the Patents Court and the Patents County Court.

TMPDF 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 Agents (CIPA), the Institute of Trade Mark Attorneys (ITMA) and the Intellectual Property Institute; it is a member of IPAN (the IP Awareness Network). Internationally, TMPDF exchanges views and maintains good contacts with similar IP user organisations in other countries, notably in Japan and the USA.

Membership

The Federation has a Council, which agrees TMPDF policy, and five technical committees, to which detailed consideration of issues is delegated. These deal with Trade Marks, Patents, Copyright and Designs, Litigation, and Licensing and Competition Laws. 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. An associate membership is available to those wishing to be informed about developments in intellectual property without joining any of the Federation's committees or Council.

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Review of
Trends & Events in Intellectual Property
from June 2005 to end of May 2006

Contents

President's Introduction	Page
Competition	1
Copyright	2
UK	2
European Community	2
Database right	4
Designs	5
Litigation	7
Patents	7
Introduction	7
UK issues	
PCT issues	9
European issues	10
Harmonisation	12
Reports, Reviews and Consultation	13
Gowers Review	13
McCreevy Review	14
UK Patent Office	15
Trade Marks	17
UK	17
Company Names	19
Enterprise Act	20
OHIM	21



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PRESIDENT'S INTRODUCTION

It is both a pleasure and privilege for me to introduce this year's *Trends and Events*. In this annual publication, the Federation seeks to provide an overview of developments in the IP field over the last year so that its readers are kept abreast of the latest developments. A second purpose behind this publication is to summarise the Federation's activities during 2005/2006 so that members can see exactly how their subscriptions are being spent.

Reading this year's contribution you will see that 2005/2006 has again been busy for us. This should perhaps come as no surprise. Increasingly we live in a world where the benefits and disadvantages of the global IP system are being actively debated and where the average person is more aware of the impact that IP rights can have on their daily lives. Nowhere is this becoming more apparent than around the issues of on-line access to copyrighted material and the worldwide growth in piracy and counterfeiting across all industry sectors. Increasingly owners of intellectual property rights are having to argue the case for IP in a way which a decade ago would probably not have been necessary.

2005/2006 has been dominated by two major consultations both of which have the potential to shape IP policy and thinking at the European and UK political level for at least the foreseeable future. The first of these, Commissioner McCreevy's review of the patent system in Europe, is significant not just because of the long-standing and systemic problems it is tackling but also because it is the first example of the European Commission systematically consulting stakeholders on a broad front. It is hoped that this heralds a long term move towards evidence-based consultation and that eventually this will result in a patent policy fit for a multicultural Europe which balances the needs

of innovative industries with the complexities of an enlarged single European market.

The second review, which is being conducted by Andrew Gowers on behalf of HM Treasury has a very wide ranging remit to examine the IP regime in the UK. There is no doubt that this is an ambitious project with consideration being given to both broad policy issues as well as narrow but nonetheless important questions of detail.

The Federation has spent considerable time and energy on its responses to these consultations and I have been impressed with the quality of debate and commitment to consensus building we have seen amongst members. I think the responses we have made are something we can be proud of and hopefully they will be recognised by the recipients as based on deep and expert thinking.

On a somewhat narrower issue, although one which is extremely important to many Federation members, the Companies Act 2006 has at last addressed the thorny issue of company names which are calculated to deceive the consumer. Whilst the Federation had hoped for a more robust outcome from the government, the proposed changes at least go some way to meeting our concerns. We shall however continue to make our feelings known to government.

Looking forward to next year I think a key issue will be exactly how the government goes about its consultation in the IP field. Since the demise of SACIP and with the recent debate over the need for and role of bodies like IPAC, the Federation senses that there is a gap in consultation which urgently needs to be filled. I know this view is shared by other bodies and hopefully we will together with the UK Patent Office make progress on this issue. Proper consultation and opportunities for consensus building are the foundations upon which balanced and fit for purpose IP policies and laws are built.

I do hope that *Trends and Events* will whet your appetite and encourage you to go further and read our many excellent position papers too. If what you read encourages you to participate personally in the debate either within the Federation or in the outside world then the hard work of the various contributors will have been more than justified.

Mike Barlow

COMPETITION

1. European Community

Microsoft

The prominent activity by the Commission in the year under review has been against Microsoft under Article 82 EEC (abuse of dominant market position). A significant objective of the Commission has been to compel Microsoft to license specified technical information to its competitors. In view of Microsoft's unique market position, it does not appear yet that any principles *generally* applicable to technology transfer will emerge. TMPDF has therefore made no representations in respect of this case.

This contrasts with various cases in the past where the Commission has tended to take the view that licensing to competitors should be required on general grounds. TMPDF has, where appropriate in such cases, made representations to the contrary (see *Trends & Events 2001/2002*, page 23).

ETSI

The companies which participate in standards-setting bodies are the ones most likely to own patents for inventions that have to be used in order to implement standards. Therefore, standards bodies usually have rules about

the disclosure of relevant patents by participating companies. The companies are expected to license relevant "essential" patents to others wishing to implement the standard.

Standards are of particular importance in telecommunications, being concerned not just with quality (as many standards are) but also interoperability. In 2005, the European Commission expressed concern about the rules that applied within the leading European telecommunications standards-setting body, ETSI. The Commission felt that the rules favoured patentees excessively.

The group was asked to review the ETSI IPR policy generally, and in this context it is looking at :

(i) the undertaking by essential patent owners to license on "fair reasonable and non-discriminatory" (FRAND) terms;

(ii) whether the cumulative effect of royalties claimed by several (or many) patentees in respect of the same standard could be so substantial as to inhibit market take-up of standard-compliant technologies.

2. United States

OFT/DoJ report

Readers of *Trends & Events 2004/2005* (page 1) may have been expecting news of the second report of the US Fair Trade Commission on Competition and Patent

Policy (the first was published in October 2003 and a second was to have been produced jointly with the Department of Justice not long afterwards). US government officials imply informally that it is unlikely ever to appear.

COPYRIGHT

1. UK

Review of the Copyright Tribunal

The Patent Office is consulting on whether improvements could be made in the way in which the Copyright Tribunal works. The effecting of improvements may involve amendment to the Copyright Tribunal Rules 1989 (as amended), consolidation of the statutory instruments governing the workings of the Tribunal, revision of the 1995 Practice Direction (as amended) and changes to the general administration of the Tribunal by the Patent Office.

Creative Economy Conference

This 3-day conference was held in London on 5-7 October 2005 during the UK Presidency of the European Union with the support and participation of the Department for Trade & Industry, the Department of Culture, Media and Sport, and the European Commission. It was

hosted by BSAC (British Screen Advisory Council) and sponsored by a number of organisations, notably MCPS/PRS.

The purpose of the conference was to make policy recommendations to the EU on copyright issues to do with the creation, distribution and consumption of digital content. The focus was very much on media and entertainment.

The conference included five different workshops (1. Value for All and More of it; 2. The Global Challenge; 3. Film Online; 4. From Creativity to Commerce; 5. Licensing Fit and Fair), each of which came with a series of detailed recommendations published on the conference website www.creativeeconomyconference.org

Two key recurrent themes of all workshops were Education/Awareness and DRMs/Interoperability.

2. European Community issues

Management of Online Music Rights

On 18 October 2005 the Commission adopted a Recommendation (2005/737/EC) on the Management of On-line Musical Rights.

The Recommendation aims to give right-holders and commercial users of copyright-protected material a choice as to their preferred model of licensing. The recommendation proposes the elimination of territorial restrictions and customer allocation provisions in existing licensing contracts while leaving right-holders who do not wish to make use of those contracts the possibility to tender their repertoire for EU-wide direct licensing.

Thus, for the online distribution of music, right-holders should be able to entrust whichever rights they choose and for

whatever territorial scope they wish to a collecting society of their choice, i.e. located in any member state irrespective of the residence or nationality of the right-holder. Royalties should be distributed fairly and efficiently to all applicable right-holders whether or not located in the territory of the collecting society.

The Recommendation also includes provisions on governance, transparency, dispute settlement and accountability of collecting societies.

As far as the legal effect is concerned, the Recommendation is addressed both to the member states and to all economic operators involved in the management of copyright and related rights within the Community, and is an *invitation* to member states to take the steps necessary to promote a regulatory

Trends and Events 2004/2005

environment consistent with the Recommendation. Member states and collecting societies are invited to report annually on the relevant steps they have taken to comply with the Recommendation.

Early experience with the Recommendation appears promising. The first EU-wide license was conceived just three months after the Recommendation was adopted. On January 23, 2006, EMI Music Publishing announced having entered into a Heads of Agreement with the MCPS-PRS Alliance (the UK Collection Society) and GEMA (the German Collection Society), with the aim of offering to license the rights in EMI MP's Anglo-American songs under a single license across Europe for Mobile and On Line Digital uses.

Stakeholders, including TMPDF, had been individually consulted in July 2005. At that time we indicated a number of concerns with the proposal, saying it did not go far enough, and called for even greater competition between collecting societies in that right-holders should be able to enter into non-exclusive agreements with more than one collecting society. We also proposed that EU-wide licensing provisions should be matched by EU-level tribunals operating similarly to the Copyright Appeal Tribunal in the UK. Although the Recommendation goes some way to promoting increased competition between collecting societies, and proposes dispute resolution mechanisms at national levels, it does not go so far as the Federation had proposed.

We also pointed out that the problems associated with the lack of transparency, inadequate governance, and shortage of proper supervision of collecting societies were not unique to online music distribution. Unfortunately, the scope of the relevant provisions in the Recommendation is limited to the field of online music distribution. However, note that the proposed new initiative on levies discussed below would extend the governance provisions into the realm of levies.

Copyright Levies and DRMs

Copyright levy reform is included in the Commission Work Program for 2006.

The Commission has articulated the following specific concerns with the current regime, namely (1) the worrying trend for levies to be automatically and increasingly applied to digital equipment and media, despite the growing uptake in DRMs and their usage in practice, (2) inadequate transparency in the assessment, collection and distribution of levies, and (3) the uncertainty surrounding disputed claims giving rise to the need for companies to keep financial reserves which is money that would otherwise be invested in research and development.

In our response to the July 2005 consultation we observed that the proposed changes reinforce the need to reform the levies regime applicable in some member states and the need to ensure that they are not perpetuated or extended in the digital world.

In a speech to European Parliament Legal Affairs Committee (JURI) on 29 November 2005, Commissioner McCreevy explained that "The 2001 Copyright Directive states that fair compensation must take account of the use of DRM. In practical terms, this should mean that as use of DRMs increases, the use of levies should decrease. This does, however, not appear to be the case."

The Commission currently seems to favour a "soft law" instrument, most likely a Recommendation, which it can adopt on its own initiative, i.e. without involving either Council or the European Parliament. However, for that very reason a Recommendation is somewhat controversial - particularly in the current political climate in Brussels especially surrounding IPR legislation, and so the Commission is likely to want endorsement from both those institutions in any case.

The Commission is in the final stages of analysing information it has been gathering for an Impact Assessment expected to be published in early summer 2006. The original target date of September 2006 for publication/adoption of the initiative itself has slipped (due to

environmental problems within the DGMARKT premises), and now spring 2007 seems more likely.

Recasting of copyright (Policy initiative for 2006)

The Commission has indicated that a policy priority for 2006 is "recasting" the copyright acquis to make it fit for the digital world.

The Commission has appointed Professor Bernt Hugenholtz of the University of Amsterdam to conduct a private study on the recasting of the copyright for the knowledge economy due to be presented in the latter part of 2006, with the policy debate commencing thereafter.

Additionally the Commission has indicated that during 2007 it will review (1) the term, particularly for sound recordings, and (2) co-written and musical works.

DATABASE RIGHT

The effects of the decisions of the European Court of Justice in November 2004 in *The British Horseracing Board Ltd ("BHB") and Others v William Hill Organization Ltd* have continued to make themselves felt. The court had held, contrary to the expectations of most in the UK, that investment in creating a database did not count towards the investment that would earn a database the sui-generis database right: rather, the investment had to be in obtaining or verifying pre-existing independent materials.

At the European level, in December 2005 the Commission issued its promised evaluation of the workings of the directive and reaction to the decision made up a large part of it. The paper is interesting in acknowledging that the ECJ's ruling was indeed contrary to the intention of the Commission when the directive was adopted, which was the approach the UK had thought it was signing up to in agreeing to the directive. Copyright protection for databases had been harmonised at the Continental level of originality under which there was no copyright protection for sweat-of-the-brow databases. As a result, such databases would lose their existing copyright protection in the UK, which had over 50% of the EU commercial database market, and in Ireland. But, the evaluation paper explained, in order to compensate for that loss the directive had introduced the new sui-generis right in exchange.

However, the evaluation suggested, on the basis of evidence that the database publishing industry contends is unrepresentative, that the sui-generis right had had no proven impact in stimulating the production of databases.

The evaluation concluded by proposing four policy options and consulting stakeholders on their views:

- withdraw the directive as a whole,
- withdraw the sui-generis protection,
- amend the sui-generis provisions of the directive, or
- leave the present position unchanged, a course the Commission termed maintaining the status quo.

TMPDF members considered the *William Hill* decision had made it more difficult to decide if a database was protected. And in at least one case a member who had produced a commercially exploited database seriously doubted if it would have regarded the investment as justifiable if it had been faced with the *William Hill* decision before it had made its decision to invest. In its response to the consultation the Federation favoured the third option, that is, amending the directive. The amendment was needed both to remove the uncertainty and to restore the scope of the sui-generis right to the breadth that had originally been intended. Withdrawing the whole directive, or the sui-generis part of it, would be undesirable because it would put the EU back into a state of disharmony and it was disingenuous to

Trends and Events 2004/2005

call the final option "maintaining the status quo" when doing nothing in truth meant acceding to the ECJ's ruling and the change of policy it represented.

The overall result of the consultation has now been published. There were few takers for the first two options, that is, withdrawing either the whole directive or the sui-generis part of it. There were equal numbers of respondents - 26 - favouring the other two options. However, of the 26 favouring amending the directive, 13 sought a broadening of the sui-generis protection, mostly in answer to the ECJ decision, but 10 of the others sought greater exceptions from the sui-generis right. So in numerical terms the greatest number of respondents favour maintaining the ECJ interpretation. How the Commission intends to proceed it has yet to say.

Meanwhile, in the United Kingdom, the *William Hill* case reached its final stage when it returned to the Court of Appeal for the court to consider the ECJ's answers to its questions. Faced with the

ECJ's holding that investment in creating a database, rather than in obtaining or verifying its contents, did not qualify for the sui-generis right, the BHB sought to persuade the court that the ECJ had misunderstood the facts. There were indeed, it argued, pre-existing contents into the obtaining or verification of which the necessary investment was put, namely the intentions of owners as to whether their horses should run in any particular race. The Court of Appeal was not prepared to accept that the ECJ had made an "enormous blunder" about the facts, especially as they had been explained in the submissions of the parties to the ECJ and were correctly reflected in its judgment. Therefore, the court allowed the original appeal and held that no sui-generis right subsisted. Consequently the court did not go on to consider the interesting question of scope of infringement, where the ECJ had come to an interpretation that infringement requires the taking of much more than would have been expected under the previous UK law.

DESIGNS

Introduction

We have had an interesting and busy year in the designs world with, amongst other things, a revisit to the thorny issue of protection of spare parts and a Court of Appeal decision on unregistered designs that favoured original equipment manufacturers. On the administrative side there have also been proposed changes to the UK registered design forms and fees that have been brought to the attention of the Federation via a number of consultation papers.

The Federation submitted comments to the UK Patent Office on a draft directive on the protection of spare parts. As to the broad principle as to whether the designs directive should be amended to introduce a harmonised repair clause the Federation took no position. In brief it was pointed out that the current wording of the directive needed more precision in the way it was worded as it was not sector-specific and could be interpreted

to apply to many different sectors and businesses.

UK unregistered design rights

Looking also at the issue of spare parts, in the Court of Appeal Dyson successfully defended Qualtex's appeal over the right to manufacture spare parts for Dyson's vacuum cleaners. Qualtex's appeal was dismissed in finding that it had infringed Dyson's unregistered design rights ("UDR"). Must-match, must-fit and surface decoration exceptions of the CDP Act were all dealt with in much detail with Lord Justice Jacob coming down heavily on the side of original equipment manufacturers ("OEMs") and saying "*The overall lesson here is that the exceptions to UDR created by the Act do not give a carte blanche for pattern spares. Those who wish to make spares during the period of design right must design their own spares and cannot just copy every detail of the OEM's part.*"

The decision is to be welcomed by designers as it brings much needed clarification to the issue of whether spare parts, in particular, replica or so-called "pattern parts" should be afforded UDR protection in the UK.

The main message to take from *Dyson v Qualtex* is that UDR cannot be ignored. "Pattern part" spare parts manufacturers must design their own spares and cannot simply copy the OEM's parts. The statutory exceptions to UDR will be construed narrowly so third party manufacturers must be extremely careful, as in the words of Jacob - "*To be on the safe side they will have to make them different as far as is possible - for trying to navigate by the chart provided by this crude statute is a risky business*".

UK consultations

In July of 2005 the UK Patent Office announced a consultation on its proposed changes to the Registered Designs Act and Rules. Four main proposals were tabled:

- to end substantive examination for novelty purposes
- allow multiple applications
- to end the withdrawal of some registered designs from public inspection but allow deferment at the applicant's choice of publication /issue of the registration certificate for all types of application and
- facilitate the restoration of lapsed design registrations.

All proposals were warmly welcomed but the Federation thought that any deferment period offered by the UK should mirror the European Community Design Registration period of deferment which is up to 30 months from the date of filing. It was also noted that there did not appear to be any protection for the innocent infringer during this period. On the proposed Rules changes it was noted that electronic links to relevant forms were desirable and it was agreed that examination of the whole registered design application should now be made available to the public.

About this time the UKPO also held an informal consultation on fees across patents, trade marks and designs. For registered designs the proposals were to reduce renewal fees and to offer separate fees for application, deferral and publication. For unregistered design right there was a proposed increase in litigation fees. The review is now on hold until the conclusion of the Gowers Review.

As part of the Gowers Review the Federation submitted comments to the questions raised concerning registered and unregistered designs. The Federation concluded that it supports the continued existence of both the UK registered and unregistered design right for the foreseeable future, despite the success of the community design right because its members are currently using and relying on both types of right.

Incorporation of EU provisions

CD Regulations 2005 came into force on 1 October 2005. Their aim was to bring Community designs (both registered and unregistered) as they applied in the UK into line with various provisions already applying to national designs, including:

- the introduction of a threats provision - applying only to primary infringers and not to secondary infringers as the Patents Act.
- the introduction of a Crown Use provision. In relation to the unregistered right, the defence industry was seeking a Ministerial statement to repeat the assurance given at the time of the 1988 CDPA in relation to the UK unregistered design right that the provision would only be invoked in individual cases and if authorised personally by the Minister, the justification being that infringement of an unregistered design could not take place unknowingly, since it required copying, and a mechanism was needed to ensure that use of the provision was kept to a exceptional cases.

LITIGATION

1. Hague Agreement on Exclusive Choice of Courts Agreements

Trends and Events 2004-2005 outlined the basic provisions of this draft convention providing for the international recognition of judgements by courts designated in exclusive choice of court agreements and our position on the draft. In the summer of 2005 an international diplomatic convention negotiated the final terms and we were invited by the DCA in the winter of 2005 to comment on whether the UK should sign the convention; no significant changes were made to the provisions on IP. We noted that we were not opposed to ratification but continued to press for amendments. The convention is expected to be presented for signature in its final form in the latter part of 2006

2. Rome II

Rome II, the draft EC Regulation on the law applicable to non-contractual obligations, is awaiting a Common Position, as anticipated in *Trends and Event 2004-2005*. The recommendations of the rapporteur regarding the abolition of art. 5 on unfair competition and the inclusion of a provision to allow parties to choose the law applicable if chosen after the dispute arose or if, in certain circumstances, there was a pre-existing agreement, have both been adopted by the Commission.

PATENTS

1. Introduction

During the past year, the patent system has come under very critical scrutiny. Organisations and governments have seriously questioned whether the patent system actually encourages or inhibits innovation. The *raison d'être* of patents is being challenged as never before and those who promote and use the patent system need to be prepared for some fundamental thinking.

The questioning was stimulated by the discussions over computer implemented inventions in the context of the proposed European Directive discussed in more detail below. However there have also been serious concerns about patent quality, with some companies arguing that perhaps patents are being granted in inappropriate cases.

Linked to this have been worries about the inhibitory effect of "patent thickets" especially in the world of standards and real concern that the meeting of technologies in current consumer goods (such as the mobile phone/GPS/MP3 player/TV) make patent clearance searching virtually impossible.

There is a growing belief that current searches are insufficient to reveal all prior art and even a suggestion of "peer review" of patent applications.

Linked with all this is the concern that patenting is a "rich man's club" used to exclude SMEs.

It seems likely that the year to come will challenge our faith in the value of patents still further.

2. UK Patent Issues

Patent Office developments

The UK Patent Office opinions service, whereby an interested party can seek a non-binding opinion from the Office on both the validity of a granted patent and whether or not it has been infringed, is now up and running. It is still too early to tell whether the service is actually an aid to resolving disputes cheaply or is merely being used by those wishing to "test the water".

On 3 April the Patent Office launched its mediation service, see <http://www.patent.gov.uk/about/ippd/mediation/> and press release at <http://www.patent.gov.uk/media/pressrelease/2006/0304.htm> in a further attempt to provide cost-effective resolution of patent disputes.

The Office has liberalised its rules on address for service so that in ex parte cases an address for service anywhere in the European Economic Area or the Channel Islands will be accepted. The Federation has commissioned a study of practice in other countries and approached the European Commission asking it to renew its efforts to force other national offices to come into line.

There have been other changes in the Patents Rules arising from implementation of the Patents Act 2004, noteworthy among which is that renewal fees now fall due at the end of the month rather than on the actual anniversary of the filing date.

Consultations

The Office launched consultations on a number of issues including:

Inventive step - how does UKPO practice compare with other countries and the EPO? We expressed general satisfaction with the approach adopted by the UK Patent Office which is often preferable to the rigid application of the

"problem/solution" approach by the EPO. However we believe examiners sometimes do not adequately justify their objections and seem to be merely putting art "on the record".

Forms - proposing a welcome rationalisation of forms across the various areas of UKPO activity. The Federation had no objections of principle, provided the fee structure was clear.

Fees - an informal consultation floating the idea that fees should be more directly linked to the cost of activities. This has now been shelved pending the Gowers Review, but the Federation expressed a strong preference for retaining the current position whereby renewal fees on successful patents subsidise the up-front costs of all cases.

Continuation of the UK Classification Key - We did not express any strong views.

Future delivery of the Patents and Designs Journal - No comment.

UK Implementation of the IP Enforcement Directive

The Patent Office issued a draft proposal concerning implementation of the EU directive on enforcement of IP. This was a largely technical document with no major issues.

However at a late stage in the consultation, the Office received advice based on the comments of LJ Jacob in *Baheer v. Berry Floor*, that various provisions of the Patents Act 1977 did not comply with the directive. The specific issue was that where a patent has been amended damages could not be obtained in respect of acts before the amendment unless the original specification had been "framed in good faith and with reasonable skill and knowledge" and (by virtue of the Patents Act 2004) the proceedings had been brought in good faith. This potentially conflicted with the directive's requirement that damages be

Trends and Events 2004/2005

paid whenever the infringer was, or should have been, aware he was infringing.

The Federation and CIPA argued that no change was required, but in the event sections 62 and 63 of the 1977 Act were amended to give judges wide discretion on award of damages in such cases. It will be interesting to see whether they feel this discretion is fettered by the EU directive, but it does seem that an honest belief of non-infringement may be a defence to damages if the patent is amended, but not if held valid in its original form of grant.

At the same time section 68 was amended to provide that where an assignment or exclusive licence is registered outside the 6 month time limit it will still be possible for the assignee or licensee to recover damages for acts occurring before registration, but costs would not be available in such cases. It remains to be seen how the courts will apply this where there has been substantial infringement both before and after registration.

Computer implemented inventions (see also under "4 European Issues" below)

In the UK the UKPO had held a series of workshops in an attempt to come up with a satisfactory definition of "technical contribution" without coming up with an answer which produced reproducible results approximating to the current state of the law.

A practice notice was issued relating to methodology for assessment of patentable subject matter in the light of a pair of judgements in the High Court. The new procedure applies a two step approach which can be summarised as follows:

1. Identify what is the advance in the art that is said to be new and not obvious (and susceptible of industrial application).
2. Determine whether it is both new and not obvious (and susceptible of industrial application) under the description of an "invention" in the sense of Article 52 of the European Patent Convention - to which section 1(2) of the 1977 UK Patents Act is meant to correspond.

3. PCT Issues

Incorporation by reference and correction of errors

Changes have been made to the rules of the PCT, to allow material in a prior application to be incorporated by reference and to permit certain errors, during the international phase. The rules permit both receiving offices and designated offices to apply their national law if this is incompatible with the new PCT rules. We are concerned that these provisions create serious uncertainty for applicants and third parties, especially as designated offices are not required to accept the decision of the receiving office.

Disclosure of origin of genetic resource and traditional knowledge

Pressure, particularly from developing countries, continues to mount for PCT to

take account of the potential requirements of some national and regional offices for such declarations. We remain opposed to such requirements in principle, especially since it is unclear how close the connection of genetic material to the invention needs to be. However the latest proposal before the PCT reform working group is relatively modest and makes clear that an inaccurate declaration would not be grounds for invalidity unless fraudulently made.

Voluntary supplementary searches

It is proposed that applicants should be able voluntarily to request a supplementary search from an International Searching Authority other than that attached to the Receiving Office. Debate continues whether the supplementary search should follow the

main search or be conducted concurrently. If sequential it may be no more than a search of additional material, for example in local languages. We believe applicants should have the choice of such a sequential top-up search or a concurrent, fully independent search. The EPO have indicated they would be unlikely to offer supplementary searches unless concurrent.

Formal changes

Proposals are in hand to increase the minimum type size and permit coloured drawings or photographs and also to permit publication in more than one language so as to provide provisional protection in countries where a publication in an official language is required for this purpose.

4. European Issues

Computer Implemented Inventions (CII)

Proposed EU Directive on the Patentability of CII

In a most unexpected development on 6 July 2005, at second reading, the European Parliament (EP) voted down the proposed directive on the patentability of computer-implemented inventions (CII), rejecting it with an overwhelming majority of 648 out of the 680 MEPs present.

After a ninety minute debate in Parliament the previous day, the two largest EP political groups - the PSE socialists and the EPP centre-right - decided they would endorse rejection of the Common Position at the plenary vote.

On the day of the vote, the EP was faced with 178 amendments covering all aspects of the directive, including definitions of "technical" and "technical contribution", proposals to exclude "data processing" from patentability, altering the title and scope to "computer-aided inventions", prohibiting program product claims, and new wide-ranging provisions on access to patents for interoperability purposes including both infringement exception and compulsory licensing approaches.

In fact the EP did not get the opportunity to vote on any of these amendments because the vote to reject the whole directive came first.

The EP felt that the whole issue was still too controversial, that there were too many unresolved arguments - as witnessed by the huge number of tabled

amendments - and that, consequently, the time was not right to adopt a directive.

The vote marked the end of the legislative process and the draft directive.

However this exercise seems to have alerted MEPs to the issues surrounding IP and there are indications of increasing interest in this field.

Stem cell patents

The EPO Enlarged Board of Appeal is considering what position to take in relation to the possible refusal of patents for stem cell inventions. Refusal would be under article 53(a) EPC on the basis that publication or exploitation would be contrary to morality.

TMPDF maintains that the EPC makes clear that exploitation shall not be deemed contrary to morality merely because it is prohibited by law or regulation in some or all contracting states. Moreover, it should not be for the EPO to arbitrate on whether to grant patents in this controversial subject area when differences of interpretation and practice exist in the member states. The EPO should only refuse an application on the ground of article 53(a) in situations where there is a known consensus among the member states that exploitation of a particular subject matter would be contrary to morality.

It is always open to those states that don't grant patents for certain subject matter, on the basis that exploitation would be contrary to their national code

Trends and Events 2004/2005

of morality, to refuse or cancel, under the appropriate procedure, the European patent as it applies to them when it enters their national system.

Eventually the issue may be resolved by ECJ rulings concerning the application in EU member states of article 6 of the EU biotechnology directive (non patentability of inventions contrary to public morality); the EPO should not pre-empt them by coming to its own conclusions on the morality of exploitation. Where there are unresolved differences of practice between member states, the EPO should grant the application in question and leave it to individual members that would not have granted it to cancel the resulting patent as it applies in their territory.

Review of Patents in Europe

Commissioner McCreevy initiated a consultation on the future of patents in Europe covering the Community Patent, The London Agreement on Translations and the European Patent Litigation Agreement (EPLA). He also asked wider questions on the value of the patent system in promoting innovation within Europe. **See also Reports and Consultations.**

The Community Patent project (ComPat) remains stalled on the language issue and despite industry pressure the London Agreement concerning translations of European Patents is still unlikely to be ratified by France. French ratification is a condition for it to come into force. The "flotilla" proposal supported by TPDF for implementation of the London Agreement by a selection of states not including France is unlikely to find political support. It seems unlikely that ComPat can be agreed without translation of the claims into all languages, although there are indications of possible movement on the legal effect of translations. (As currently proposed the protection in each state would be governed by the translation into the local language potentially resulting in non-unitary protection)

EPLA

There is increasing support for the proposed European Patent Litigation Agreement which would provide a European Patent Court having central jurisdiction over European Patents effective in contracting states. The European Commission previously declared the exercise *ultra-vires* because it was being conducted by states outside the EU framework. As indicated above the EPLA has been included in the McCreevy Review, but the EC believes the European Court of Justice (ECJ) must be the final court of appeal on construction of the law.

Whilst we welcome the principle of the EPLA, we are concerned that it may be adopted for political reasons without adequate work on procedural matters and safeguards. We wish to be assured that judges will be technically competent as well as legally qualified and would wish to see a specialist patent appeal court of first instance within the ECJ, should the ECJ take responsibility for construing EPLA as part of EU law. We also have some concerns over the jurisdiction over existing patents and whether centralised revocation should be permitted where the patentee has not sought centralised enforcement.

A recent development is that the free software lobby have characterised EPLA as a back-door attempt to establish the validity of "software patents" granted by the EPO. They cast doubt on the independence of the proposed European Patent Court.

Enforcement directive - criminal sanctions

A draft directive governing criminal sanctions for IP infringement was dropped in 2005 in view of doubts over the jurisdiction of the EC in criminal matters. These concerns seem to be resolved and the EC re-introduced the directive in spring 2006. We remain concerned that the threat of criminal sanctions for patent infringement could be used to discourage legitimate competition. It appears that differences in the criminal law between UK and other countries currently having (but not using) criminal sanctions for patent infringement might

be the reason why other nations are not concerned. It also seems that the anti-CII lobby may take up this issue if it reaches the European Parliament.

EPC 2000

EPC 2000 (which was comprehensively reviewed in *Trends & Events 2000 - 2001*) has now been ratified by 15 contracting states and will enter into force not later than 13 December 2007. The EPO advise that due to the need to amend rules and procedures it is unlikely to enter into force before then.

Delays and problems in EPO

We held two meetings with representatives of the EPO to discuss problems and delays. The meetings were conducted in a constructive and open

manner. The EPO acknowledged that they have search backlogs in some areas in which case priority is given to PCT international searches and to regional applications which have not been searches elsewhere. The EPO Director of Quality discussed their moves to monitor quality and to increase consistency of handling cases between Munich and The Hague. We plan to continue these meetings annually.

Exhaustion of priority right

As reported in last years *Trends & Events*, decision T998/99 seemed inconsistent with the Paris convention. The EPO has now indicated that this decision will not be followed meaning that more than one application can claim priority from a single earlier application. However the case will not be referred to the Enlarged Board of Appeal.

5. Substantive Patent Law Treaty (SPLT) and international issues

SPLT

Negotiations in WIPO remain deadlocked. Attempts by the group of developed market economy countries to focus discussions on an initial package of patentability defining matters have been opposed by the developing countries, which take the view that their agenda is being sidelined. Moreover, there are considerable differences between the US and European positions on the matters in the proposed initial package.

The Comptroller of the UK Patent Office wrote to the Federation seeking views on priorities for harmonisation. We cautioned against seeing harmonisation as an end in itself. The US and European patent systems are each self-consistent, but there is a real risk that if compromises are made topic-by-topic the resulting system will create anomalies.

We remain opposed to the concept of a grace period, but seem to be largely isolated on this even within Europe. The prospect of a grace period in advance of

priority date with no requirement to declare the prior publication will create long periods of uncertainty for third parties and we will continue to seek to limit this effect.

US Law

The US Patent Bill which would have introduced "first inventor to file" failed to make progress in Congress.

Prosecution Highway

The Japanese Patent Office tabled proposals for mutual recognition between the JPO, EPO and USPTO under a scheme whereby applicants would indicate their desire to file in the other offices by 12 months, but take no action for 30 months whilst the office of first filing conducted an examination. We expressed the view that this would amount to a competitor to PCT and we would prefer to see improvements within the framework of PCT rather than a competing system.

REPORTS, REVIEWS & CONSULTATION

1. Gowers Review

In December 2005 HM Treasury announced that the Chancellor of the Exchequer had asked Andrew Gowers to lead an independent review of the framework for Intellectual Property in the United Kingdom. The review is scheduled to report to the Chancellor and the Department of Culture Media and Sport in the autumn. A call for evidence was issued in February 2006 and the Federation submitted a response in late April.

The Government recognises that Intellectual Property is a key component of the future success of the UK in today's global, knowledge-based economy. This is especially so in the creative industries and high technology sectors. The Government is keen to ensure that the UK's IP framework balances the need of all stakeholders whilst encouraging firms and individuals to innovate and invest in new ideas.

The call for evidence confirmed that the Gowers Review was wide ranging, not only looking at the various IP rights themselves but also how such rights were used in the market place and whether this was leading to any particular tensions and difficulties. The call itself posed a number of questions both general and specific in the areas of copyright, design rights, patents, IP and competition and issues such as licensing behaviour, patent pooling and international exhaustion of rights.

In its response to the call the Federation sought to make a number of high level points. First it appeared to us that in recent times Government initiatives in the field of IP had tended to focus too much on the needs of SMEs and individual inventors. Whilst it was clearly very desirable that such groups were actively supported we sounded a note of caution. In particular we felt that reducing the costs of IP to improve access risked a proliferation of low quality rights which

could be detrimental to industry as a whole.

On the other hand we also made the point that the system needs to be of high quality and cost efficient and that the government needed to throw its weight behind initiatives such as the London Agreement which had the capacity to make a real impact on translation costs.

We next made the point that the IP system in UK and Europe was in the main good, as might be expected from a system which had carefully evolved over many years. To the extent there were system complexities these had grown up over time to ensure that particular issues were dealt with in a balanced way. The government therefore needed to be circumspect about making changes and should really only consider doing so after obtaining hard evidence-based research that change was needed.

In view of the above we highlighted the need for independent, high quality research to be carried out in the IP field and called for the Government to provide significant funds for such activities out of Patent Office revenues.

A significant concern we voiced was the lack of a coordinated approach to IP within UK government and the European Commission. Whilst there was undoubtedly strong support for IP in certain parts of government this was by no means universal and the outcome was that there was not a single, clear message coming out on the value of the IP system. This we felt was not helpful to innovative industry. We felt strongly that a single view needed to be developed and articulated forcefully especially in international fora.

We reiterated our view that, whilst stakeholder consultation on IP matters was relatively good, more could be done especially in the creation of government-led bodies which might facilitate the

building of consensus between stakeholder groups. This point had been one which the Federation had put to the Chief Executive of the Patent Office at the end of 2005 following the demise of IPAC.

In view of the above we suggested that Gowers consider recommending the creation of a centre of excellence in IP in Government which should be the focal point for policy and to which all Government Departments should defer. This view was echoed in a subsequent call by the CBI for the creation of a Minister for Intellectual Property.

Finally in policy terms we highlighted the need to continue to focus on IP education and awareness especially in schools and universities. We urged the Patent Office to consider a joint approach with the Department of Education to take existing initiatives further.

2. McCreevy Review

Following the European Union member states' failure to agree to agree a Community Patent Regulation in 2005 and in view of the problems encountered with the draft Computer Implemented Inventions Directive, DG Internal Market have undertaken stakeholder consultation on the future of the patent system in Europe. In early 2006 a questionnaire was issued seeking views on (1) the characteristics of an optimum patent system in Europe, (2) the future of the Community Patent, (3) the desirability of the EU concluding the European Patent Litigation Agreement (EPLA) and (4) opportunities for further harmonisation and mutual recognition at the European level.

In response the Federation made the following submission:

(1) Characteristics of the System

We saw the basic purpose of the patent system as being to encourage and support innovation. There should therefore be no subject matter restrictions within the system to discourage innovation in particular fields.

On a more detailed level we called for more transparency around revenues from IP rights, the need for the UK to take a leadership role in the governance of the European Patent Office and for there to be deep consideration given as to the role of criminal penalties in the enforcement of IP. The Federation is supportive of such measures to combat counterfeiting and piracy but has major concerns if such provisions were extended to questions of patent infringement.

Finally we made specific submissions on copyright exemptions, Digital Rights Management technologies, Utility Models (which we remain firmly against) and Grace Periods (which we believe should only exist for very exceptional circumstances).

The system should be of high quality and based upon the European Patent Convention. In the enforcement phase litigation of patents should result in high quality decisions whilst at the same time being cost efficient.

In general public policy concerns around patents should not be addressed in patent laws but rather elsewhere that any abuse could be properly targeted.

We felt stakeholder consultation at the European Level could be improved.

(2) Community Patent

We felt that the proposition in the Lisbon Agenda that the Community Patent was key to innovation in Europe needed to be revisited.

Whilst we supported the European Commission's original proposal for a Community Patent Regulation we felt that the Common Political Approach of 2003 was seriously flawed and therefore unsatisfactory as a starting point for further discussions.

We felt that no Community Patent was better than an unsatisfactory one and

Trends and Events 2004/2005

that it would be perhaps better to concentrate on the London Agreement as a method of saving costs in patent procurement.

(3) European Patent Litigation Agreement

We were in favour of this initiative in principle although we recognised that there remained important details to work out. The system needed to be administered by impartial judges who are expert both technically and in patent law in order for the system to be of high quality.

We were highly concerned about the involvement of the European Court of Justice in any such court given its lack of expertise in technical matters.

(4) Harmonisation and Mutual Recognition of National Patent Offices

We felt that there was little advantage in going beyond the *acquis communautaire* which calls for adherence to the EPC. There could be some scope for further harmonisation of procedural matters. Mutual recognition was a distant prospect given the difference of approach in national patent offices.

We understand from the Commission that it has received over 2800 responses from stakeholders across all sectors of society. The Commission is in the process of reviewing these responses and will be holding a forum in Brussels in July to discuss its preliminary findings. This is likely to be followed up by a two day meeting in Helsinki in early September under the auspices of the Finnish government.

3. Patent Office changes and consultation

In the event, 2005 was a year of consolidation for the Patent Office. Whilst the UK held the EU Presidency in the later part of the year, no significant changes in EU or international intellectual property law occurred. On the domestic front, the Trade Mark Registry is now almost completely accommodated at Concept House, which should give rise to a saving of £120k in charges. All of the search facilities are now on line and e-filing is being encouraged, so that, at Harmsworth House, the document receipt facilities have been reduced to a post box function and the public search facilities transferred to the new innovation centre at the British Library. Whilst the London base for hearings and discussions at Harmsworth House has been retained, a potential saving in accommodation charges has yet to be achieved.

Out of a turnover of £54.3m (patents £35.7m, trade marks £15.6m, designs £1.5m and other £1.5m) a dividend of £3.8m was paid to the DTI and interest charges of £0.3m were paid on a loan covering the move to Newport, a surplus of £7.9m remained. This was largely due to the renewed flow of income from trade mark renewals following the 3 year

gap occasioned by the change in renewal period from the initial period of 7 years under the 1938 Act to 10 years under the 1994 Act. Additionally patent renewals showed an increase of around 10%. Whilst the surplus was transferred to reserve, special dividend payments were made to the DTI of £30m in April 2004 and £40m in May 2005 to fund innovation support activities.

The Office has a ministerial target to increase output in relation to current expenditure by an average of 2% (2.5% in future) per annum over a rolling 3 year period. Whilst this figure was exceeded in the two previous years (4% and 2.6%) the figures for this year showed a decrease of 1.4%, giving an average gain over the 3 years of only 1.5%. This attributed to a fall in patent applications from 30,000 in 2003 to 27,471 in 2004 (8.5%) with search requests down from 17,700 to 16,734 (5.2%) and examination requests down from 12,000 to 11,485 (4.4%) and a decision not to reduce patent backlogs down to zero with significantly higher staff numbers than required. However, whilst design applications fell from 4784 in 2003 to 3984 in 2004, trade mark applications rose from 26,097 to 27,008.

These application figures point up an anomaly. Since the EU has no internal trade barriers, it might be expected that applicants increasingly would be biased into moving toward obtaining EU wide cover by way of trade mark and design applications being lodged at OHIM (where, respectively, in 2005, out of 58,651 CTMs 6,661 were from UK and out of 63,657 RCDs 4,569 were from UK.) Whilst this seems to be happening with designs, it clearly is not the case with trade marks. Whilst the European patent system is only unified up to grant stage and five national patents will give effective control in the bulk of cases, out of 58,730 EP applications some 54,470 designated the UK in 2004. (It is, of course, the income from 50% of the renewal fees of these patents that funds the special surplus.)

Some 26% of patent and 35% of trade mark filings were made by unrepresented applicants and these significant customer groups are dealt with by special units within the Office.

The Fees Review, the results of which were to have been announced in April 2006, has been postponed until after the Gowers Report has been published.

The total employed reduced from 1041 to 1003, only 24 entrants having been recruited in the year. As civil servants, pension provisions are handled by a central government fund. However the Office contributed £3.5m to the fund in the year. The importance of Human Resources and Information & Communications has been recognised by appointing the respective two directors to the Board. A new Stress Management course has been introduced together with a confidential Employee Assistance Programme accessible to everyone by telephone 24 hours a day.

The Office has offered training and assistance to schools, SMEs, universities and enforcement bodies. A Guidance

Booklet on drafting Confidential Disclosure Agreements and, arising from the Lambert Review, a set of model collaborative IP agreements for Business-University collaboration, have been produced.

The Federation is represented in the membership of the various focus and working groups of the Office and has made submissions to all of its consultations.

Following a review, the decision of the Minister is awaited on future activities of the Intellectual Property Advisory Committee. Meanwhile a review of the various consultation mechanisms is being undertaken to ensure that the views of stakeholders are effectively engaged. It is the feeling of the Federation that the current arrangements do not give sufficient consideration to, and representation of, the views and needs of industry and the profession in relation not only UK IP law but also EU and International IP law. It is to be hoped that this can be rectified in the future. One of the particular concerns of the Federation is in relation to the question of UK intervention in ECJ Cases. Specific instances relate to an intervention in relation to interpretation of the Supplementary Protection Certificate Regulations (where there did not appear to be consultation with industry) and the lack of intervention in relation to interpretation of the Database Directive.

Following the Regulatory Reform (Patents) Order 2004, various minor changes in procedures have been implemented and, additionally, provisions allowing the Office to give opinions on patent validity and infringement issues have been introduced.

Since it came into effect in January 2005, 34 requests were dealt with under the Freedom of Information Act 2000 in the first quarter of 2005.

TRADE MARKS

1. UK TMR Developments

Introduction

Another busy year in the Trade Marks Registry with seemingly record numbers of notices, reviews, and consultations giving rise to an increasingly sophisticated, but sometimes complicated, trade mark system. Whether this has led industry members to becoming wiser at the end of the year than they were at the beginning is open to question, but at the very least, it has kept everyone focused and energised.

Examination on relative grounds

Of all the important issues that have been discussed at the Registry during the year, none has come any bigger than the consultation exercise on the 'Future of Examination on Relative Grounds'. Previously looked at in 2001, when a decision was taken that things should remain as they are, since doing away with the search and cite facility would lead to cost issues for SMEs, who would be forced to safeguard their rights through burdensome opposition procedures, there was a sense of *déjà vu*, when a pre-consultation exercise was followed by a more formal consultation of the issues.

The revised consultation presented users with five different options to consider:- (1) the status quo; (2) search and cite with notice; (3) search and cite with notice coupled with a proof of use regime; (4) search and notify (the applicant only) and (5) search and notify (applicant and earlier mark's owner).

The advantages and disadvantages of all options have been well documented, with the Registry itself appearing to lean towards option 4. Interestingly for Federation members, who heavily backed the abolition of the examination system first time around, it seems that others now share their view that the current streamlined opposition system now places less burden on costs, while equally safeguarding rights as before. Thus although UK Industry in general, and SMEs

in particular, have formerly been disadvantaged vis-à-vis European competitors, who have utilised the CTM system with its non-examination procedure, the balance could be restored with a revision of the UK system. We all will watch developments with interest, but don't bet against option 4 as the 'winner'.

The long shadow sometimes cast by OHIM on the Trade Mark Registry moves us neatly on to launch of a mediation service. Perhaps with the future in mind, and a falling off in trade mark filings due to the popularity of the CTM system, the Registry seems keen to look at alternative ways to use its resources and generate revenue. Perhaps a timely thought given that the abolition of the examination system could give rise to an increase in conflicts. The newly launched mediation service forms part of the Search and Advisory system and will be welcomed by those who see litigation as the last resort. Although the service was opposed by the Federation on the basis that there would be a conflict of interest with the Registry's statutory tasks, and that the Registry had no real experience in this area, the service is now open for business.

The second shadow cast by OHIM that has impacted on the Registry is the issue of fees. With OHIM sitting on a cash mountain, it adjusted its fees in accordance to generate less of a profit. On the back of this, the Registry was under pressure to look at its fee structures, and as part of this, began some initial discussions on what fee changes should take place. As an example, there is a proposal to split the application / registration fee, which undoubtedly could assist SMEs by placing a lesser burden initially on upfront costs. Unfortunately, while there was expected to be a formal consultation process on the fees structure during the spring, the on-going Gowers review has pushed this timetable back to next year. Federation

members can now look forward to April 2007 as a time when they may be able to make some savings.

Olympics 2012

Turning to events more sporty, the London Olympics bid 2012 was launched with much fanfare and trumpeting, but sadly the same cannot be said of the Olympics Bill. Immediately rushed into Parliament after the bid was successful, the Bill is an obvious aid to sponsors and those pouring money into advertising who see their endeavours hijacked by 'innovative thinking' competitors. But perhaps because it is legislation only directed to safeguard the interests of a minority, and 2012 seems a long way away, discussion among the interests has been low-key. We can only hope that there are more fireworks at the actual event.

Practice amendments

Advertising can of course be an area of cost intensive activity, and for many years the tobacco industry has spent billions of pounds promoting its goods. With regulations on such promotions however tightening quite considerably, it was interesting to see that the Registry issued a PAN in connection with The Tobacco Advertising and Promotion (Brandsharing) Regulations 2004, which effectively makes it necessary for further cross-searching of trade marks designating tobacco products or brandsharing with such products. Unfortunately, for the tobacco industry, this presents another obstacle to overcome in their pursuit of trade mark protection.

Of course the Tobacco PAN was not the only notice issued. The Registry has updated practices on Royal Family Names, Wide & Vague Specifications and Colour Marks, and has set out new practices for Retail Services (following the ECJ *Praktiker* decision) and Slogans (following the ECJ *Das Prinzip Der Bequemlichkeit* decision).

Perhaps the most discussion and consternation was however centred

around the Registry's decision to not update the addendum to Chapter Six of the work manual on registrable marks. Despite increasing numbers of applications being filed at OHIM (and not in the UK), due to the inconsistency of OHIM case law, giving rise to a large degree of uncertainty, interests felt the addendum was an essential aid to reaching a conclusion on whether a mark was registrable. Interests concerns were placated when an updated addendum was produced.

In similar fashion, the work manual on certification and collective marks was extensively revised. Hopefully, this new consolidated version of the manual will make practices and procedures of these little filed marks easier to understand.

To conform to Article 49 of the EC Treaty (freedom to provide services), it was recognised that certain adjustments needed to be made in respect of Address for Service requirements and as a result, a Statutory Instrument was been laid before Parliament to the effect that an address for service is now allowed, not just within the EC, but anywhere within the EEA or Channel Islands for all but contested cases. Perhaps a help to those in industry with multi-national interests.

On-line developments

On the IT front, and in line with the Registry's e-business strategy, the "TM3" web application form has been launched. Given the ease with which applications can now be made by this facility, it is inevitable that businesses will be able to make savings on time and money. It is proposed that other major forms will become e-compliant over time. An improved trade mark search facility on the Registry web page is also now operational, which means that users can now see how many marks have been picked up by the search terms and view the results in alphabetical order.

In keeping with modern trends, there is now a facility to pay for a trade mark application by way of credit card, and after a lengthy debate it was decided that a London Front Office would remain

Trends and Events 2004/2005

in Harmsworth House (London). Whether this decision will be revised in time following the ease with which applications can be made on-line remains to be seen.

Conclusion

The Gowers Review is the latest review to test the minds of the Registry and is

having a widespread impact on many other consultations and reviews, such that Gowers 'trumps' everything on the agenda. Although it is expected that there will be impacts on the Registry post Gowers, it remains to be seen whether any large scale changes follow the Review.

2. Company names

Readers will be aware that for many years the Federation has been trying to persuade government that the way in which company names are accepted for registration needs review.

At present, there is nothing to stop the registration of such as BT Telephone Supplies Limited, IBM Basildon Limited or Kodak Security Limited. A proposed company name will only be refused if it is identical to one already on the Register. Section 28(2) of the Companies Act specifies a grace period of a year during which the Secretary of State may direct a company to change its name if he is of the opinion that it is "too like" an existing company, but in practice such directions are almost never issued and the process is altogether too cumbersome and too late.

The Federation is of the opinion that such names can only be intended to exploit and therefore possibly damage the goodwill of the owner of the rights in the famous name and/or trade mark that is being copied, and further that the likely intent and/or consequence is deception of consumers. It is entirely reasonable and understandable for the general public not to think twice but to automatically put their trust in the name of a registered company - after all, isn't it effectively "government-approved"?

The Federation first wrote to the DTI about this in 1998 on the occasion of its then review of company law. Since this is perennially such a huge and varied subject, there was no real momentum and the debate with the DTI on the subject continued only sporadically over

the ensuing years, notably in 2000 and 2004.

Hope however springs eternal in the breast of the IP practitioner who understands the value of patience. With the DTI's renewed consultation on the White Paper on company law reform in 2005 came an opportunity to raise the issue once more. This time the government seemed more switched on to the problem, since there is a clear intent to do something about the headline-grabbing "One in a Million"- type cases. The government is even proposing to appoint adjudicators to rule on disputes. To IP practitioners, these adjudicators look awfully like trade mark examiners, albeit in a company registration context. Since the "One in a Million"- type case is so rare, these people are going to be shamefully under-employed. Why not extend their remit to the more common kind of dispute?

The DTI's position still seems to be that rights holders have adequate protection in passing off and trade mark infringement actions. This conveniently overlooks the point that these are "after the event" remedies which put the onus on the rights owner to try to upset the now-established later right. Effectively it requires the prior rights owner to monitor the new company name until such time as it begins to be used in a trade mark sense. This is practically impossible. Additionally, any court action will require evidence, and this may only come to light after significant damage has been done to consumers as well as to the rights owner.

What is needed is an opportunity for the owners of existing registered company names to register their objections to a proposed new company name before it is accepted, and for there to be some sort of mechanism to adjudicate on the matter. This has been found necessary, and works well enough, in the trade mark field, and there seems to be no good reason not to do otherwise with company names. Since the government evidently intends to put the necessary machinery in place, what would be the downside in providing for such a process? We put this question to the DTI in a meeting in May this year, but no answer was forthcoming.

It is doubly frustrating in that the government could deliver the solution we have requested merely by amending Clause 70(4) of the Companies Bill so as to eliminate the defences it currently provides and which enable the dishonest trader to proceed with impunity.

Currently the signs do not look good. Despite the backing of the CBI we have received no support during the passage of the Bill thus far. We are continuing to lobby the relevant Minister at the DTI and to engage the attention of the Comptroller of the UKIPO.

3. Amendments to Part 9 of The Enterprise Act

The business community routinely provides to public authorities a wide range of information to enable those authorities to carry out their duties i.e. in the areas of consumer protection and the enforcement of competition law. Such information, which is basically business confidential, is provided on the basis that it will not be disclosed, for example, to business competitors.

Part 9 of the Enterprise Act 2002 permits the limited disclosure of such information by public authorities only in certain specified circumstances - "gateways" - in order that they can perform their functions. Business/industry has found in general that these safeguards work well. To a large extent, the success of the current consumer protection and enforcement regimes rests on maintaining this delicate balance between confidential information and the public good.

It is probably fair to say that the IP community would not have heard of the Enterprise Act were it not for an unintended and undesirable consequence of Part 9. Because Part 9 permits the release of information only in certain defined situations, trade mark owners were finding that trading standards officers now found themselves prevented from releasing to them the information necessary to pursue counterfeiters via

civil action in the courts. In a typical situation, a rights owner would initially approach trading standards with information concerning a counterfeiting operation, and might even participate in a raid carried out as a result, but would then find that it could not receive the vital information thereby uncovered.

Fortunately this was one situation where there was a ready acceptance from the government side that this unintended consequence was unacceptable, and this led to the DTI issuing a consultation document on possible amendments to Part 9. A number of different options were set out. The Federation supported the fourth option and was pleased to see this was followed by others, such as the Anti-Counterfeiting Group. This option permits the limited disclosure of information in order to enable civil proceedings concerned with the enforcement of IP rights. It is obviously important that any amendment is framed no wider than this, in order to maintain the delicate balance referred to above.

The Federation is delighted to have the support of the CBI in this, which has taken a strong lead in pursuing this agenda with the DTI. The vehicle for change proposed by the government is clause 867 of the Company Law Reform Bill: the amendments would apply to ss. 241-243 of the Enterprise Act. At the

Trends and Events 2004/2005

time of writing, the precise wording of these amendments is still being discussed. For example, concerns have been raised about the situation where the information might be released to the UK subsidiary of a foreign parent company - which safeguards would be necessary and could they be made to stick?

A lot of work is still being done on this by the CBI and whilst we are confident that

there is the political will to close that particular loophole in the fight against counterfeiters the concern must be that the passage of the bill will continue to be slowed by its enormous size and complexity, and that as a result the problem will continue to frustrate rights owners for some time to come. It would be pleasant indeed to be able to report on a wholly rectified situation in this review next year.

4. Community Trade Mark/OHIM Activities

Overview

Federation members continued to make regular use of the CTM system as operated by the OHIM in Alicante.

Overall there was a substantial increase in the number of trade mark and design applications filed at the OHIM during the year under review. Nevertheless, the Office continued to make progress towards reducing the time taken to undertake specific tasks. For example:

- the average time for an application to proceed to publication was 32 weeks in 60% of cases. For 2004 the corresponding figure was only 3%;
- a Decision in an opposition was issued within 8 months in 58% of cases. The corresponding figure for 2004 was only 8%.
- 83% of all applications were published within 20 months as compared to only 65% in 2004.

Legislation

Regulation No 422/2004 had introduced a number of substantive and procedural changes to the CTM Regulation with the aim of making the procedures simpler and more user friendly. Several of the amendments entered into force immediately but others required a further Implementing Regulation, and this new Regulation [EC 1041/2005] was adopted on June 29, 2005, coming into force on 25 July 2005. Many amendments were of a minor nature, but some of the more substantive were:

- National searches will, in 2008, become optional at the choice of the applicant. This is a move

which the Federation has long been advocating, and we welcome it.

- The formalities required for a renewal were reduced to the strict minimum.
- CTM applications could be divided, for example when an application had attracted an opposition but only against a small part of a long list of goods or services. In such a case, the applicant may now 'divide' his application by so that the unopposed part of his mark can be registered, whilst the opposition is continued against the remainder of the mark.
- Clarifying changes were introduced into the conversion procedure, particularly when a refusal resulted because the mark had a meaning in a particular language.
- The need for professional representatives to file an authorization was abolished.

Fees

In last year's *Trends and Events*, we commented on the proposal by the Commission to reduce a number of the official fees and we anticipated a decision in July 2005. However it was not until November 1, 2005 that a compromise was finally reached from amongst the many different points of view as to what the amounts should be. In justifying the changes, the Office said:

"A considerable increase in the Office's revenue is expected in the medium term,

as a result, in particular, of the payment of renewal fees for Community trade marks. The accession of the European Community to the Madrid Protocol, and the administration of the electronic registration procedure should simplify the CTM registration procedure and decrease costs. The efficiency of the Office's management should also reduce expenditure. While still ensuring that the Office's budget is balanced, a reduction in fees has been considered appropriate. A fee reduction will also attract users to the system."

Renewals

On November 1, 2005, the owners of the first wave of CTMs applied for at the beginning of 1996 when the Office first opened its doors in Alicante could apply to renew these rights for a further ten-year period.

The Office introduced a simple format for renewal and encouraged as many owners as possible to renew their marks electronically - at a reduced fee. By the end of 2005, nearly 2500 renewal applications had been received, which was 3 times more than the Office had expected.

Cooling Off

Originally, parties in an opposition could apply for an extension of the entire proceedings for an unlimited period of time. This was known as 'The Cooling Off period' and judging by the fact that some 80% of all oppositions are settled between the parties without the need for a Decision, it can be judged to have been a success.

However it involved the Office in a great deal of administrative work, dealing with the many written requests, usually for only 3 months at a time, that had to be signed by both parties.

Thus, in the recent overhaul of the CTM Regulations the previous "unlimited" possibility for cooling off was limited to a total of 24 months counting from the notification of the opposition to the applicant. Now, if the parties request an extension, they are granted a full 22 month period regardless of the period

requested with the possibility of either party opting out should either of them not want to continue the cooling off.

This new practice was introduced as from March 1, 2006, but the move was not generally liked by Federation members who saw it as being of much more assistance to the Office than to themselves.

Statistics

At the end of December 2005, a total of 470,020 CTM applications had been lodged at the OHIM and, as 2006 progresses, this figure is now close to the half million mark. The number of applications filed electronically has overtaken the number of paper filings.

Whereas in 1997 only 576 CTMs, were registered, this number has climbed to a total of 59,725 in 2005. Today, there are over 314,000 registered Community trade marks on the books at the OHIM. About 20% of all applications are opposed, and 60% of these are either withdrawn or settled.

User Satisfaction

Every December the Office carries out a User Satisfaction Survey, using the services of an outside firm. The 2005 survey revealed a "good level of global satisfaction" from both agents and owners. But it also revealed the need for changes in some areas, and the Office immediately commenced the preparation of an Action Plan.

However it is interesting to see from the Survey that the satisfaction figures for the United Kingdom are consistently lower than for all other EU countries. For example, whilst 67% of CTM proprietors in Germany are generally satisfied with the OHIM as a whole, only 38% of UK proprietors are. This is worrying, and the Federation is hoping to discuss the matter with the new Vice President of the Office (see below).

Personnel

The President of the Office, Mr. Wubbo de Boer was re-appointed for a further 5 years, until September 2010.

Trends and Events 2004/2005

Mr. Alexander von Mühlendahl retired as Vice President on October 31, 2005, an event marked with much sadness and by the naming of the library at the Office as the von Mühlendahl Library. He was replaced as Vice President by Mr. Peter Lawrence, who was formerly Director of

Intellectual Property and Innovation at the UK Patent Office.

Mr. Paul Maier, who was Head of the Designs Section of the Office, was appointed the new Chairman of the Boards of Appeal.

Members of TMPDF 2006

AstraZeneca plc
Babcock International Ltd
BAE Systems plc
BP p.l.c.
British Telecommunications plc
British-American Tobacco Co Ltd
BTG plc
Celltech Therapeutics Ltd
Dow Corning Ltd
Dyson Ltd
Eaton BV
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Ford of Europe
Fujitsu Services Ltd
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Merck Sharp & Dohme Ltd
Microsoft Ltd
Nestlé UK Ltd
Nokia UK Ltd
Pfizer Ltd
Philips Electronics UK Ltd
Pilkington plc
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