REVIEW of trends and events

1995/1996

TMPDF ***Trade Marks Patents and Designs Federation***

Putting Industry's view on Intellectual Property since 1920

TMPDF *Trade Marks Patents and Designs Federation*

ORIGINS

The Federation, the first of its kind in the world, owes its origin to the creation in 1913 of a Committee of representatives of industry to oppose the British Empire Trade Mark which was then being considered. Successful in this and in its opposition to the Trade Marks Bill of 1918, it went on to make representations which resulted in the modification of the Trade Marks Act of 1919. By then the need for a body to represent the views of industry in this field had become clear, and the Federation was formally established in 1920.

OBJECT

The Federation's main object has always been to bring about improvements in the protection afforded by intellectual property rights throughout the world to the advantage of inventors, manufacturers and consumers alike.

IPR are valuable assets, but while the need to safeguard them is obvious, the means of achieving this is far from simple. Laws differ from country to country and are often changed arbitrarily and without regard to the commercial consequences. At the same time, the speed of technological change and the growth in its importance have increased ever faster.

It is against this background, and in order to ensure that the interests of industry and commerce are effectively represented, that the Federation operates.

CONTACTS

The Federation is regularly consulted by the Patent Office and other government departments and agencies both directly and through its membership of the Standing Advisory Committee on Intellectual Property (SACIP). It has long had a close relationship with the CBI, which it represents on the various IP working groups of UNICE, and with professional bodies in this country, such as the Chartered Institute of Patent Agents and the Institute of Trade Mark Agents. It also has representatives on the Users Committees of the Patents Court and the newer Patents County Court.

Outside the UK it has lines of communication to the EC Commission, has a representative on the Standing Advisory Committee of the European Patent Office (SACEPO) and is one of the non-government organisations invited to participate in meetings organised by WIPO.

MEMBERSHIP

Details of membership may be obtained from the Secretary, whose address and telephone and fax numbers are given below.

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REVIEW BY THE COUNCIL OF TRENDS AND EVENTS 1 APRIL 1995 TO 31 MARCH 1996

INTRODUCTION

Two major events in the history of intellectual property protection in the United Kingdom occurred on 1 April 1996. Although this is one day after the period of this Review, we believe the moment should not pass without comment. On that day the Community Trade Mark Office in Alicante, Spain became fully operational and the Protocol to the Madrid Agreement for the international Registration of Marks entered into operation.

It was in 1964 that the first proposal was made for a universal system of trade mark protection throughout the European Community. Although many years have passed since that proposal was made, the ideal that it contained and the principle of the Community trade mark remain the same, a unitary trade mark right valid and enforceable equally in all the member states, whilst national rights are maintained.

The gestation of the Madrid Protocol was shorter; only 12 years. The Protocol, which is seen as an advance on the existing Madrid Agreement, is a simplified filing and registration system, run by the WIPO in Geneva, through which a trade mark owner may obtain registration of his mark in as many or as few of the states that are party to it as he wants.

The Federation has been active in the discussions leading to both of these major events. At first it had reservations about the Community trade mark, but when it was clear that fundamental UK objectives, such as continued protection for common law marks, were to be included, the Federation fully supported the concept of a Community mark. As regards the Protocol, it was the Federation which initiated the discussions in the UK and persuaded the British government of the advantages to be gained from joining an international trade mark registration system. Without the active involvement of the UK, the negotiations which led to the Madrid Protocol might never have taken place.

Thus, we are justly proud of our contributions to the new era in trade mark protection.

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DOMESTIC ISSUES

Business Links

- **Advice to SMEs on Intellectual Property**

TMPDF contacts with Business Links Advisors have been directed to ensuring that SMEs get adequate advice on intellectual property aspects of their businesses.

Firms need to be made aware of the major pitfalls and the need for professional assistance at the earliest possible stage of a new product or service.

Compulsory Licences

- **UK should lead by amending the Patents Act**

Throughout 1995 TMPDF continued a dialogue with IPPD of the UK Patent Office on how Section 48–51 of the UK Patents Act, dealing with the grant of compulsory licences, should be amended so as to conform with the TRIPS agreement. At the heart of the matter was the need to clarify that importation of a patented product from another WTO country should be sufficient to satisfy the working requirements, and so should be an effective ground for resisting an application for a compulsory licence. Although IPPD argued that Section 53(5) could be relied on to bring UK law into conformity with TRIPS, the Federation felt that the UK government should positively amend the law to clarify these issues, and thereby act as a lead to developing countries in their implementation of TRIPS. The issue was made more complicated by the appearance of a consultative draft of a statutory instrument aimed at bringing S48 into line with ECJ jurisprudence. TMPDF felt that this in some ways made the problem worse.

The momentum was lost towards the end of 1995 with the retirement of key senior staff from IPPD, but a recent letter from the Patent Office Comptroller, Paul Hartnack, has confirmed that renewed effort will be put into the drafting of a new Statutory Instrument which he believes should come into force before the end of this year.

Copyright

- **CLA and the Newspaper Licensing Agency**

Certain members of the Federation who had declined to take a licence from the CLA were approached with a demand for a signed declaration that no copies of books, magazines or periodicals were being made and an undertaking to take a licence on specified terms if copies were to be needed. CLA reserved the right to take legal action.

In response to this the Federation amended the CLA Guidance Notes to Members to say that signing such a declaration and undertaking could clearly commit the company signing it to accepting those terms.

The Newspaper Licensing Agency emerged during the year as an agency, separate from the CLA, to license copying from newspapers. Not all newspapers are represented by this agency.

Intellectual Property Research

- **DTI/ESRC Funded Projects**

The ESRC is funding a programme of academic research on the use of intellectual property by business. About £1 million is involved, mainly from the DTI but also from the Intellectual Property Institute and the UK Patent Office. There are eleven projects at present. Member companies of TMPDF have been heavily involved especially on the Steering Committee and further involvement e.g. acting as 'godfathers' to the projects is welcomed.

- **Relations with Intellectual Property Institute**

Contact with the academic research organisation, the Intellectual Property Institute (IPI) has increased in the year. TMPDF supports IPI's efforts to increase the value to industry of IP research and IPI has appointed representatives of TMPDF companies and of TMPDF itself to its Council of Experts.

Patent Office

- **Changes in the Intellectual Property Policy Directorate (IPPD)**

With the retirement of the former head of IPPD, Alec Sugden, and several of the senior staff, at the end of 1995, there has been considerable reorganisation. All work on copyright and related rights (e.g. performance rights) is now handled by a new Copyright Directorate headed by Jonathan Startup, who has transferred to the Patent Office from the DTI's International Trade Policy Division. This directorate is located in London, at 25 Southampton Buildings.

Policy in relation to all other aspects of intellectual property is dealt with by a reduced IPPD, headed by Graham Jenkins. The directorate is now located in Concept House, Cardiff Road, Newport along with the other main parts of the Patent Office. The Standing Advisory Committee on Industrial Property (SACIP) has a new secretary, Edward Smith, who is based in Concept House.

- **Combined Search and Examination of Patents**

The Federation's Patents Committee reviewed this proposal from the UK Patent Office, and came out in favour of the approach, which would lead to rapid patent grant for those applicants who request it. The Patent Office have stated that patent grant could occur within one year of application, if the applicant replies in a timely fashion to objections. Such rapid grant would provide one of the perceived benefits of a Second Tier Protection (STP) system, whilst also providing the certainty for third parties of an enforceable right which had been searched and examined before grant.

- **Quality of Searches**

The Patents Committee replied to a UK Patent Office enquiry regarding the quality of patent searches, how they compared to other searches, such as those from the EPO and the US Patent Office, and how they could be improved. The Committee decided that the searches were usually of a high quality and represented good value for money. The searches sometimes missed foreign language documents which were picked up by the EPO, and the searching of non-patent literature could be improved, particularly in the chemical area. The Patent Office have agreed to look at these points in their ongoing efforts to improve their searching service.

Public Relations

- **TMPDF appoint consultant**

An *ad hoc* public relations committee has met during the year to consider ways of raising the profile of the Federation. Progress has been made in redesigning the letterheading for the Federation to indicate more clearly the spread of intellectual property interests covered by the Federation. While thought was given to a change of name, it was concluded that we should evolve such a change in stages and that the redesign of letterheading would be one stage in the process. Progress is also being made to prepare for regular press releases from the Federation to cover issues of public interest.

The most important outcome of the committee has, however, been the decision to recruit Alec Sugden, until recently an Assistant Comptroller in the Patent Office, as a consultant to the Federation. This appointment will be of significant value to the Federation as a means of

supporting the work Council and Committee members do in analysing issues, responding to them and anticipating future developments. It is anticipated that this appointment will be of considerable strategic importance to the Federation.

The Reform of Civil Justice

- **Woolf Inquiry Report**

The Interim Report of the Inquiry Team under Lord Woolf, entitled 'Access to Justice', was published in June 1995. It was directed to general issues applicable to all areas of Civil Litigation and focused on the need for a culture change from the traditional unfettered adversarial approach towards a more Court managed procedure. The Report envisaged a multi track system in which cases would be assigned to a particular track by a procedural Judge using criteria that included monetary value and complexity.

The Federation broadly welcomed the Report whilst dissenting on one or two of its 124 recommendations, notably that relating to the use of Court appointed expert witnesses.

The Federation subsequently made submissions to SACIP and to LCD on issues raised by the Report.

- **Jacob sub-committee on IP litigation**

Lord Woolf indicated in the Interim Report that his Final Report would deal with the reform of specialist jurisdictions. Mr Justice Jacob was accordingly asked to make recommendations on the reform of IP litigation and formed a sub-committee that included an industry representative (a TMPDF member). The Federation made submissions to this sub-committee which forwarded its recommendations to Lord Woolf in January 1996. These included the reinstatement of validity consideration in Applications for interlocutory injunctions, disapproval of the proposal by the Woolf Inquiry for Court appointed experts, and allocation of cases between the Patents Court and Patents County Court on the basis *inter alia* of commercial significance, financial value and complexity. The recommendations have been broadly welcomed by the Federation.

Unfair Trade Practices

- **Does the UK need a law?**

Unfair Trade Practice Laws enable manufacturers and traders to suppress activities by third parties which trade on their reputations or creative efforts in ways which cannot be challenged under existing Intellectual Property Laws. Most Continental countries and the United States have well-established laws of this kind. Japan, China and many other Far Eastern countries, including Australia and New Zealand, have also enacted such laws relatively recently, apparently in response to a proliferation of piratical commercial activity in the region.

The Federation has been concerned for some time that the absence of comparable statutory provisions in the United Kingdom might render British industry and commerce vulnerable to similar trade practices which, with increasing free trade, might well be adopted in support of import penetration in particular. The Federation is therefore currently reviewing experiences in other countries, and especially in Australia and New Zealand which have common law legal regimes similar to that of the United Kingdom. We aim to come to a view as to whether the enactment of an Unfair Trade Practice Law in the United Kingdom would be beneficial, and if so, the appropriate scope for such a law.

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EUROPEAN UNION DEVELOPMENTS

Commission Initiatives

- **Biotechnology Directive : Round 2**

Regular readers will remember that the first draft of the European Biotech Patents Directive, which began life in 1988, was rejected by the European Parliament on 1 March 1995. Industry did not exactly mourn its demise, since certain important provisions of the draft dealing with patentability of substances isolated from the human body had become seriously ambiguous as a result of amendments at the conciliation stage preceding the vote. In any event, during its seven years of gestation, substantial harmonisation of law and practice on patenting of biotech inventions had taken place, as a result of national and EPO decisions, so the need for a Directive was marginal.

Nevertheless, the Commission was determined to try again, and produced a second draft Directive in December 1995. The nine page draft is preceded by no less than 25 pages of Explanatory Memorandum, which seeks to justify the need for a Directive and explain the origins and consequences of some of the provisions which proved controversial first time around. It seeks to distinguish between an invention and a discovery in the biotech field, justifying the patentability of useful elements isolated from the human body by technical means; excludes germ-line gene therapy from patentability; and introduces a 'farmer's privilege' infringement derogation for breeding stock on their own farms. The pharmaceutical industry is generally supportive of the wording and provisions of the new draft, but those

involved in plant and animal bioengineering are less so. It remains to be seen whether the draft will survive the committee stages and the vote in Parliament itself.

- **Community Trade Mark : Viva Alicante!**

The Office for the Harmonisation in the Internal Market (Trade Marks and Designs), or OHIM, half opened its doors on 1 January 1996 for the acceptance of Community trade mark applications and will fully open them on 1 April. All marks filed in these first three months of 1996 will receive 1 April as their filing date. About 5000 filings are expected.

The Office has been rapidly recruiting staff and forecasts a friendly registration regime. The Fees Regulation and the Implementing Regulation containing the Rules for the operation of the OHIM were adopted in the autumn and have now been published in the Official Journal which began publication in all 5 official languages in November 1995.

The formal opening of the OHIM on 1 April will take place amidst much rejoicing as the culmination of a process that began 32 years ago. In the intervening period we have seen much patient negotiation, frequent frustrations and setbacks, but enormous efforts by a great many people. The result is a prize of inestimable value – a truly international trade mark right that will be valid and can be enforced in a market of 15 countries containing some 360 million consumers, a trade mark that can be used in only one country but yet remain valid in the other 14, a trade mark that can be enforced throughout the European Union by means of only one infringement action in one national court, and a mark that is far cheaper to register than if it were to be registered individually in 13 national European jurisdictions.

- **Copyright in the Information Society**

In July 1995 the Commission published its Green Paper on Copyright and Related Rights in the Information Society (the approved Commission term for what is sometimes also called the Global Information Infrastructure or Information Superhighway). The paper looked at the need to harmonise the copyright protection of works available in the Information Society in order to avoid distortions to the internal market flowing from differences in national laws, and also the appropriate scope for exceptions to copyright in such circumstances. Other issues considered included the use of one-stop shops for the copyright management of such works, the inclusion of copyright information in digital form in works available in the Information Society, the use of technical measures to prevent unauthorised copying, and the extent to which these measures might need to be made compulsory or given the force of law. The Commission held a hearing on these latter issues in January 1996. There was general support for the proposition that management should be left to market forces. The Commission indicated that it was likely to support moves in WIPO to make the unauthorised circumvention of copy-protection measures an offence.

- **Copyright Term extension**

The Term Directive was implemented in the UK in December 1995 as 'The Duration of Copyright and Rights in Performances Regulation 1995'. Its main effect is to increase the term of copyright to 70 years from the death of the author.

- **Database Directive**

The Directive on the Legal Protection of Databases, 96/9/EC, was finally adopted on 11 March 1996, Parliament in its second reading having made only minor amendments to the Council's Common Position of 10 July 1995. The directive applies to databases stored either electronically or in any other form. It restricts copyright for databases solely to the selection or arrangement of the contents where those aspects demonstrate originality. The contents themselves are protected by a new *sui generis* right which protects the contents against extraction and re-utilisation. The right comes into existence provided there has been a substantial investment in the creation of the database. It lasts for 15 years from publication, but substantial changes, such as are likely to occur from the cumulative updating of an on-line database, will restart the clock. The right will be extended to non-EU nationals on a basis of reciprocity rather than national treatment.

Last-minute changes before adoption of the common position included ensuring that infringement occurs only on the taking of a substantial part of the original, and the dropping of a controversial proposal that the right should be subject to a compulsory licence in circumstances including one where the originator was the sole source of the information concerned.

The directive must be implemented by the end of 1997. It is likely to need fairly substantial amendment to the UK law, since it will exclude copyright protection from most comprehensive collections of facts, including many directories, and replace it with an entirely new right. The approach is likely to be influential with third countries.

- **Industrial Designs : Directive and Regulation**

The Commission's proposals for a Directive to harmonise the legal protection of industrial designs and a Regulation to establish a new Community Design Registration have continued to be a source of controversy.

The Directive was reviewed by the European Parliament culminating in an opinion of the Legal Affairs Committee and a vote in plenary session in October. The Commission's proposal had included a 'repair clause' that

came into effect after 3 years from a product going on sale. The European Parliament voted to reduce the period of exclusivity to zero years and to add provision for 'fair and reasonable remuneration' of the owner of the right.

In addition, the European Parliament voted to ease the criteria for validity of a design registration and to exclude non-visible spare parts from protection altogether.

Shortly after the vote, the Commission indicated that it would follow broadly the direction indicated by the European Parliament and published a revised proposal for the Directive. The Directive was scheduled to go to the Council of Ministers in May but as we go to press it appears that the member states opposed to the repair clause have sufficient votes to constitute a blocking minority.

In the meantime little has been heard of the Regulation which was expected to proceed on a parallel track.

The Directive as it now stands contains proposals for a right to repair which can be interpreted as a compulsory licence, and exhaustion of rights. Both of these proposals are of concern to many TMPDF members. After a lengthy debate in the Copyright and Designs Committee and in Council it proved impossible to reach unanimity on any alternative for resolving the divide between the designers of motor vehicles who are concerned about copying of external car body parts and those who wish to *make* parts of the same design for the purpose of repair. As a result TMPDF has made no new comment on the Directive.

This spare parts issue continues to dominate discussion and to divert attention away from the many issues pointed out in the Federation's last paper on designs back in November 1994.

- **Misleading and Comparative Advertising**

The Council of the EU has made another proposal concerning Comparative Advertising by way of an amendment to Directive 84/450/EEC concerning Misleading Advertising. It is felt that some of the amendments proposed are in conflict with the Community Trademark Directive and the Community Trademark Regulation. Submissions have been made to try and amend the proposal to take account of these conflicts.

The proposed Directive does not clearly deal with the situation regarding logos, and submissions have been made to the effect that comparative advertising should not involve a competitor's logo since it is not seen that this can be regarded as strictly necessary for a comparison to be made.

There has also been renewed support for the proposition that the owner of a trade mark should be advised and, preferably, his permission sought before his trade mark is used in comparative advertising.

- **SPCs – Plant Protection Products**

On 15 June 1995 the European Parliament gave a First Reading to the Commission's Proposal for a Supplementary Protection Certificate Regulation for Plant Protection Products. The Council adopted a Common Position on the Proposal on 27 November 1995 and remitted the Proposal to Parliament. Parliament gave the Proposal a Second Reading on 12 March 1996. It is now expected that the Regulation will come into force towards the end of 1996.

- **Technology Transfer Block Exemption Regulation**

Following sustained opposition to the market share criteria and a display of brinkmanship by the Commission towards the end of 1995, the new Technology Transfer Block Exemption Commission Regulation (EC) No.240/96 was published in the Official Journal of the European Communities of 9.2.96 at No L 31/2 to No L 31/13. It enters into force on 1 April 1996 and replaces the previous Patent Licensing Regulation (EEC) No 2349/84 and Know-how Licensing Regulation (EEC) No 556/89 which cease to apply from that date. Agreements which qualified for exemption under the old regulations will remain exempt under the new one. The eventual new regulation does not contain the market share criteria to which there was so much objection but entitles the Commission to withdraw the benefit of the regulation in certain anti-competitive situations, which may in particular occur where the licensee's market share exceeds 40%. Overall the Federation views this as a satisfactory outcome to the long struggle.

- **Utility Models : Green Paper**

The Patents Committee carried out a thorough study of the Commission's Green Paper, which was published in August 1995. The Committee's comments on the Green Paper were passed to the Commission in December.

The Committee felt that the Paper was flawed in that incorrect assumptions without supporting evidence had been made and important consequences of the Paper's proposals had been ignored or overlooked. In particular:

- There was no evidence to suggest that free movement of goods is obstructed, or that competition is distorted, by different Utility Model systems.
- The Paper implied that a property right, such as a Utility Model, is required to use an innovation, whereas such a right can only be used to prevent others from using the innovation.
- The Paper was silent on the 'freedom to operate' uncertainty which would be generated by a potential proliferation of unexamined, untested rights.
- No consideration was given to the likely high costs resulting from attorney fees for preparing specifications, infringement clearance searches and validity

evaluations of third party utility models, and potentially high renewal fees.

Overall, the Paper presented an unbalanced view in that only the perceived benefits to holders of utility models were considered, with none of the disadvantages, such as those mentioned above, being discussed.

Other industry bodies have also provided detailed comments on the Paper to the Commission, and many of these comments mirror the points made in the Federation's paper. Mr Schwab of DGXV has replied, thanking the Federation for its input, and stating that we will be kept informed of further developments in what is likely to be a long-running debate.

European Medicines Evaluation Agency

- **Product registration linked to trade mark**

Pharmaceutical companies throughout Europe were taken aback to be informed in 1995 that the new European Medicines Evaluation Agency, or EMEA, which had been set up, in London, by the European Commission to centralise the pharmaceutical product registration procedure for the entire European Union, would only grant a product registration on condition that the registrant would undertake to use a single trade mark throughout the EU. Given the crowded state of Class 5 and the near impossibility of being able to achieve registration of the same trade mark in the 13 jurisdictions which cover the 15 EU Member States, it was not surprising that this ruling was greeted with dismay and aroused strong objections. The Federation was not directly involved in the matter but lent its support to the ABPI (the Association of the British Pharmaceutical Industry) and EFPIA the European equivalent and umbrella body for the entire European pharmaceutical industry.

European Court of Justice cases

- **Dior v Evora**

A ruling was sought as to what extent the doctrine of exhaustion of rights applies to the allowability of using representations of device trade marks or copies of copyright material in publicity material aimed at promoting the re-sale of goods obtained through an intermediate supplier. It was recommended that support should be given to avoiding any derogation enabling a re-seller unfettered use of the trade mark or other intellectual property right for the purpose of further commercialisation.

- **Loendersloot v Ballantine et al**

A ruling was sought as to whether a re-seller (of whisky) was entitled to remove labels and packaging bearing identification codes and substitute imitation labels and packaging to avoid identification of the source of supply. It was recommended that support be given to upholding the right of a manufacturer to apply batch identification marks as part of the label or packaging unless it could be shown that the only purpose of such identification marks was to unwarrantably interfere with the supply chain. Additionally, in view of the anti-counterfeiting Regulation 3295/94 there should be no entitlement for a re-seller to produce imitation labels or packaging.

- **Magill**

Three television broadcasters in the UK and Ireland were subject to a compulsory licensing order requiring the licensing of the copyright in television programme schedules. The Court of Justice, in refusing an appeal against the order, stated that the basic information as to the Channel, day, time and title of programmes is the necessary result of programming by the television stations, which are thus the only source of such information. This put the television stations in a dominant position. The refusal to supply the basic information, without justification, was held to be an abuse.

In reviewing this judgment, the Federation has concluded that while it has importance for the television industry, it has to be read in the light of the particular facts of the case and is not seen as a precedent for a broad application of compulsory licensing.

- **Merck v Primecrown**

The UK Patents Court has referred to the European Court of Justice various questions arising out of three consolidated actions concerned with the parallel importation of pharmaceutical products from Portugal and Spain, where patenting of the pharmaceutical products had not been permitted. The first category of questions concerns whether a previous decision, *Merck v Stephar,* should be reconsidered or modified in the light of various issues not argued in that case, in particular the ethical and legal obligations to supply products in member states; *Merck v Stephar* held that the proprietor of a patent for a pharmaceutical product in one member state where patent protection exists cannot prevent the parallel importation of the product from another member state where there is no such protection and where the product has been marketed with his consent. The other category of questions assumes the previous decision to hold good and concerns the date at which parallel importation from each of Portugal and Spain can commence under provisions in the Act of Accession annexed to the Treaty through which those states became members of the European Community. The Federation believes a wide issue of public policy to be at stake, that if any goods, the price of which is fixed in one member state, are allowed to circulate freely within the Community then a distortion of

trade will arise. The Government was urged by the Federation to include this concern in its observations to the European Court.

- **Sabel v Puma**

A ruling was sought as to what constitutes 'a risk (i.e. likelihood) of confusion' and whether this is modified by 'the likelihood that a mark may be associated with an earlier mark'. The marks concerned were similar representations of a sable and a puma. On the information available, it was recommended that support be given to the view that there was likelihood of confusion and that so far as likelihood of association was concerned it was equivalent to the UK concept of 'imperfect recollection' and could well be a matter of evidence.

European Patent Organisation

- **EPO Strategies reviewed**

The Administrative Council to the EPO held a meeting with users in September 1995, and proposed to hold more such meetings. The meeting reviewed four EPO Strategies: the relationship of the EPO with national patent offices, providing a low cost efficient patent system, intensifying patent awareness, and facilitating access to patent information. While users were brought up to date on these topics the response to questions of cost and efficiency was disappointing. The users' requests to reduce the cost of patenting in Europe continue to be ignored despite increasing surpluses in the EPO. The users fear the governments of the Contracting States will now raid these surpluses and the contingency funds built up from surpluses in renewal fees charged on European patents.

The users desire a general reduction of about 25% in fees paid at filing, and reductions in both translation requirements and the proportion of EP renewal fees to be taken by the Contracting States. Some users wanted the fees to be reorganised along PCT lines with the designation fees delayed or abolished altogether. A key difficulty is that in most patent systems filing fees are low and most finance is raised from renewal fees. In the EPO it is the reverse.

Regarding translations, the idea of a package involving an improved abstract gained ground among the users but has been vetoed by the governments. However, it is now being considered seriously by the Commission. Other important topics discussed were patenting of the new technologies (e.g. biotechnology and software), the role of the National Offices, bringing the CPC into force, utility models, simplifying litigation and making it much less expensive, catering for SMEs and making them more patent conscious and improving access to patent information.

- **EPO cost of patenting : fees/translations**

The Federation continues to press for a reduction in the costs of patenting in the European Patent Office. In discussions with the UK Patent Office, it has emerged that the EPO has a forecast budget surplus which should allow for a reduction in application fees. The Federation has requested that fee reductions should be transparent to the applicants in the sense that cross-subsidy between applicants or services should be avoided. Furthermore a fee reduction should be of benefit to all applicants and should not be seen as favouring any particular class of applicants.

Translation costs are a very large burden on patent applicants at the stage when European applications enter the national phase. While the Federation accepts that removing translation requirements altogether is not an option for political reasons, we regard the costs imposed by translation in some countries as unacceptably high. The Federation does not support moves to subsidise translations from the European Patent Office surplus and wants to see the cost of translations kept under control through competitive market forces.

- **Broad Claims**

The Federation has frequently expressed concern about the grant of European claims of undue breadth, particularly in the biotech area. Two types of claim are objected to: those where the scope of the claim is speculative, exceeding what has been demonstrated or can reasonably be predicted to work; and those where the patentee shows one way of obtaining a new but obviously desirable result, and claims all ways of doing so. Attacks on such claims are severely handicapped by a quirk of European law. Article 84 EPC, which requires a claim to be supported by the disclosure, may be applied only by Examiners. It is not a ground of opposition or invalidity. Should it become so? A major debate within the UK profession has shown widespread support for such change. The UK Government has written a paper in support of amending the EPC in this way. However, other members of the EPC have yet to be persuaded. They feel that the objection is too vague to be applied satisfactorily; that it will increase the frequency and expense of oppositions; and contend that improperly broad claims can be attacked for inadequate disclosure or obviousness. Proponents of change fear that such attacks may distort the law.

- **Enlarged Board decision G3/95 PGS**

Another disappointment is the negative attitude of the Enlarged Board to whether plants and animals as such may be patented, especially when microbiology and gene transfer has been used in their generation. Instead, Board of Appeal 3.3.4 in its decision T356/93 decided that only the conventional (and non-essential in patent terms) later

stages of production of new plants having an implanted resistance to herbicides count, but that the essential features of the invention, the insertion of a gene for herbicide resistance, selecting plant cells containing it and cloning the desired cells, were to be disregarded. At the same time a plant (any plant in the whole plant kingdom) having a desired gene inserted into it is to be regarded as a plant variety, notwithstanding that the plant converted is a hybrid or otherwise does not breed true so far as other plant characteristics are concerned. The Enlarged Board regarded this reasoning as correct and not in conflict with earlier decisions, so that there was no conflict to resolve, despite T356/93 being obviously contrary to T19/90 (Harvard Mouse) on both facts and reasoning.

Plainly, the Enlarged Board did not wish to decide on the patentability of plants in advance of the Biotechnology Directive. The old directive which the European Parliament failed to pass on 1 March 1995 clearly envisaged that plants are generically patentable and that the ban on patenting plant varieties relates only to plant varieties as such. The new directive is similar. Both provide for a farmer's privilege and for compulsory licences under patents to work a plant variety, which would be unnecessary if plants *per se* are unpatentable.

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INTERNATIONAL MATTERS

GATT/TRIPS

- **Compliance Progress Report**

Developed countries were obliged to conform their legislation to TRIPS by 1 January 1996. Developing and ex-communist countries are obliged to do so by 1 January 2000 with a longer period for least developed countries. However, developing countries have until 1 January 2005 to adopt patentability of those areas of technology where product patents were not formerly granted, i.e. mainly chemicals and pharmaceuticals. Nevertheless, shelved applications could be filed from 1 January 1995 for chemicals and pharmaceuticals with a view to maturing to product patents after the end of any transition period. This is known as the 'Black Box system' and is supported by market exclusivity before any product patent is granted where there is marketing approval in the country and a patent and marketing approval in the country of origin. So far as is known all developing countries allow such patent application filings.

In a rapidly moving field, without direct consultations with the WTO all that can be done is to note the highlights known to observers as the picture unfolds taking note of firstly, whether the country in question has done anything and secondly whether a country has met the TRIPS obligations.

On the latter score it can be alleged that USA has not implemented the design and geographical indication obligations (textile designs and wine appellations not grandfathered – most are). The UK has not dealt with the local working requirement (LWR) but now promises legislation this year. Germany does not meet the requirements of Articles 52 and 58 (anti-counterfeit – lack of investigation by customs authorities). France does not meet the requirements of Articles 15.4 (refusal to register tobacco trade marks for non-tobacco products) and 45.1 (inappropriately low damages in counterfeit cases). Portugal has not dealt with LWR, nor has it extended the term of existing patents to 20 years. Greece has not apparently dealt with LWR but says TRIPS is regarded as Greek domestic law and so Article 27(1) TRIPS has to be applied. Russia has not provided preliminary injunctions in trade mark counterfeit cases. India has not dealt with the Black Box obligations and there may well be other gaps for that. India appears not to have made any legislative moves apart from the Black Box provision that did not pass the legislature.

Italy is expected to pass new legislation which is said to meet the TRIPS obligations (apparently not yet done due to a political crisis). It is understood that amendments will be made to patent law with respect to LWR and compulsory licences and expropriation to reflect TRIPS Article 31, process inventions (reversal of burden of proof), and the rules for litigation and injunctions have been modified to reflect Article 42 TRIPS (fair and equitable procedures). For trade marks the requirements of Article 16 TRIPS (trade mark rights, risk of confusion and well known trade marks) and the rules concerning trademark litigation will be altered in view of Article 43 TRIPS (evidence of proof).

Spain continues current trade mark practice of refusing registration in a given class due to the existence of an identical registration in another class, in breach of Article 16.1 TRIPS.

It is said that Andean Pact countries mainly meet the TRIPS obligations. It is understood that Turkey now complies with TRIPS. Mexico (NAFTA member) formally complies. The latest Argentine law does not comply, especially for compulsory licences, but the Administration is preparing another decree. In Brazil it is hoped that the latest Senate proposal will pass Parliament.

Countries that do not apparently meet the LWR are: Argentine, Brazil, India, Portugal, Spain. (Also UK and Greece who both say the LWR is cancelled.) Countries that apparently do not meet the patent term requirement are: Argentine, Brazil, Chile, Korea, India and Portugal.

Egypt is apparently in breach of TRIPS Article 15.1 by excessively strict refusal practice on absolute grounds. Estonia is in violation of Articles 25, 26, 27 and 35 TRIPS (no design law, no patent protection for micro-organisms, no protection for integrated circuit topographies).

Hague Agreement on Designs

- **Proposed changes rejected**

The revisions proposed by WIPO to the Hague Agreement (three levels of formal requirement aimed at making Hague acceptable to more countries) were rejected at an inter-governmental meeting in June 1995. The proposals were widely regarded as too complex and existing members of Hague are reluctant to lose the simplicity and low cost of the existing agreement. For the time being revision of the Hague Agreement is on hold.

Madrid Protocol

- **Now in force**

The United Kingdom became the third country to ratify the Madrid Protocol during 1995. As had been previously forecast, this event broke a logjam and encouraged other countries to follow suit. Ratification by China on 1 September 1995 was the fourth ratification and the one to trigger the automatic entry into force of the Protocol three months later on 1 December 1995. But it was still necessary for the Madrid Union Assembly to meet, which it did in January 1996, to settle the wording of the Regulations (which are common to the Protocol and the existing Madrid Agreement), to adopt the Fees, and to settle on 1 April as the day when the Protocol will enter into force. [This is, coincidentally, also the day when the Community trade mark becomes a reality]. Later in 1995 a number of other countries ratified the Protocol and so it will come into operation with 9 members: China, Cuba, Denmark, Finland, Germany, Norway, Spain, Sweden, UK.

Meanwhile discussions started between officials of the OHIM, The European Commission, and WIPO to smooth the ratification of the Protocol by the European Community, and work was begun on preparing the necessary EU legislation.

National developments

- **Australia : Petty Patent system**

The Advisory Council on Industrial Property (ACIP) in Australia has recently recommended that the existing petty patent system should be replaced with a new 'innovation patent' system. The main features of the proposed new system are:

- A lower inventive threshold;
- The possibility of fast tracking the registration process with no substantive examination being carried out before grant, unless requested by the applicant or a third party;
- Earlier publication of the patent document (three months after filing, instead of after grant as in the present situation with petty patents, which usually means after nine months to a year);
- An increased term of 8 years, compared to the present petty patent term of 6 years.

These proposals move away from what the Federation sees as an ideal STP system, i.e. rapid grant with full search and examination, but the present petty patent system is little used, principally because of cost. One of the objectives of the proposed system is to reduce costs and to encourage greater use, particularly by SMEs.

- **Australia : SPC proposals**

In November 1995 the Australian Government published an Options paper entitled 'An effective patent life for pharmaceuticals' containing proposals to introduce provisions allowing for extra patent life for pharmaceutical products to compensate for regulatory delays, analogous to SPC protection provided by EEA countries. Additional proposals, however, link such provisions with so-called 'spring-boarding', an exemption from infringement during the patent term of activities conducted in order to prepare for marketing of a pharmaceutical product. The Federation is opposed to springboarding as it reduces the rights granted by a patent.

- **Cyprus : New Patent Law**

A new independent patent law for Cyprus, modelled on the UK Patents Act, is being progressed and is expected to come into force later this year. At present, patent protection can only be obtained by registering a granted UK or Europe(UK) patent within 3 years of grant. The Federation's Patents Committee has expressed some concern to the Cypriot Registrar over the lack of clear transition provisions for existing European and UK patent applications which will still be pending when the law comes into effect, and also the compulsory licence provisions which are contrary to the TRIPS agreement (importation will not satisfy the working requirements).

These concerns have also been expressed by other trade associations, especially pharmaceutical and chemical bodies, and it remains to be seen whether the Cypriot government takes these concerns on board and amends the present draft law.

- **France : Loi Toubon**

Debate continued concerning the meaning and effect of the 1994 French law concerning the protection of the French language. Minister Toubon indicated during proceedings in the French parliament that the law was intended to prevent the use of advertising messages and slogans in a language other than French. It is still unclear whether only the main brand name of a product or service can be in a language other than French or whether certain additional material which also forms part of a registered trade mark escapes the prohibition. Thus can a perfumery product use the brand name 'X...X...for men' with the words 'for men' in English? It seems rather doubtful if such use would escape the prohibition even where the mark is registered in the form 'X...X...for men'.

- **Ireland : Trade Marks Bill**

The Irish Trade Marks Bill was published and has now been passed; it is expected that it will come into force shortly. The Bill contains very similar provisions to that of the 1994 UK Trade Marks Act although there are some minor differences, in particular, of the organisation of the order of the various Sections.

It is understood that Section 90 of the Irish Bill was amended in Committee to bring the offence in Section 90 (counterfeiting) into line with that in S.92 of the UK Trade Marks Act.

- **Taiwan : reciprocal priority rights**

Taiwan is not a member of the Paris Convention, and so does not allow Convention priority claims for patent applications filed by foreign nationals. Recently, Taiwan has established bilateral agreements with the governments of Australia, Germany, Japan and Switzerland whereby nationals of those countries can claim priority from domestic patent filings when filing in Taiwan.

The Patents Committee has asked the UK government to see what can be done to obtain similar benefits for UK nationals, but the major stumbling block is that the UK does not diplomatically recognise Taiwan so no bilateral agreement can be established. The political situation regarding the handover of Hong Kong to China in 1997, and China's relationship with Taiwan, are also complicating factors.

Taiwan has indicated that it wants to extend priority claim rights to all WTO countries, so the problem will hopefully disappear in the near future.

- **United States : priority claim from provisional applications**

As from 8 June 1995 it has been possible to file a provisional patent application in the USA by submitting just a description of the invention and appropriate drawings. The provisional application cannot as such lead to the grant of a patent; however it does give rise to a priority date for a subsequent regular national US application. However, the EPO had expressed uncertainty over whether such a provisional could also act as a priority creating document under the Paris Convention.

The new President of the EPO, Ingo Kober, has now written to Bruce Lehman, US Commissioner of Patents and Trademarks, stating 'I have come to the conclusion that there are no compelling reasons that militate against accepting a US provisional application as a priority conferring application in the sense of Article 87 EPC.' Therefore, the EPO will recognise US provisional applications as a proper basis for claiming priority in the European patent granting procedure. However, resolution of the matter will ultimately lie in the hands of the independent EPO Board of Appeals and individual national courts.

It would therefore seem wise for applicants to exercise caution with regard to provisionals in the case of 'important' applications.

Nice Classification

- **Proposed changes under discussion**

A considerable amount of time has been spent at WIPO trying to clarify certain peculiarities in the Nice Classification system. It has been agreed that Class 42, which is very large, would be sub-divided and some of the services covered by the existing Class 42 transferred to new classes 43–45.

Additionally, the classification of tableware was causing some problems and a delegation from the USA has made proposals for overcoming these but no decision on this has yet been made.

Patent Law Treaty

- **A new direction?**

In May 1995, a WIPO Consultative Committee met to consider whether work on patent harmonisation might be resumed. Such work had effectively been in limbo since the Hague Diplomatic Conference in 1991, where no conclusions were reached, on any substantive or procedural subject, because the United States had difficulties with the first to file principle. At the meeting in May, the United States delegate stated firmly that his government was not prepared to continue with any work based on the proposals which had been before the 1991 Conference. In consequence, the Committee recommended that a new approach should be examined, particularly focusing on

the harmonisation of formal matters. This was agreed by the WIPO Governing Bodies at their meeting in September, with no objection by the United States.

A first meeting of a Committee of Experts was held 11–15 December 1995 and examined proposals for a new treaty put forward by the International Bureau of WIPO. These proposals covered the formalities governing the content of the patent application, representation, signature, recordal of name change, recordal of ownership change, mistake correction and opportunity to make observations. The proposals were based closely on provisions in the 1994 Trademark Law Treaty dealing with similar subjects, though a provision dealing with filing date was conspicuously absent, the Bureau having understood this subject to be excluded by the United States position.

The laudable aim of the proposals was to limit the number of formal matters on which a national or regional administration might require to be satisfied before accepting an application and to restrict requirements for notarisation, authentication and other forms of certification. During the discussions, delegates drew attention to a number of points affecting the subjects covered in the Bureau's proposals and not provided for, at least some of which merited serious consideration. It was agreed that the Bureau would consider these when preparing the papers for the next meeting, which is to take place 17–21 June 1996. Many delegates also felt that other subjects, particularly those which had been relatively non controversial in earlier harmonisation work, should be added to those under consideration. It was agreed that at its next meeting, the Committee would consider proposals dealing with filing date and unity of invention. It would also draw up a list of other subjects to be put to the Governing Bodies in September 1996, for their agreement that the Committee should, at its subsequent meeting in November, examine them further.

The question of the language in which application documents have to be filed is a sensitive one. A number of national delegates argued that documents should, *ab initio*, be in the national language, while others were ready to accept that any language could be used provided that a translation was furnished within a reasonable set time. A proposal from the Belgian delegate, that documents might be filed in the national language or any WIPO working language (English, French, Spanish, Russian, Arabic, Chinese), provided that a translation is subsequently filed, appeared to achieve considerable support. In the view of the Federation, this is a most important matter which can affect the integrity of the application. An applicant should be able to use his own language in documents submitted on the filing date so that he can be confident that his application correctly represents what he intends on that date. A translation, which should be correctable, can follow later.

Most delegates to the Committee, including those representing non-governmental organisations, appeared to agree that a 'Formalities' treaty could be worth having, particularly if expanded to cover more subjects. The Federation agrees. The problems faced by applicants and their agents in dealing with different national and regional patent systems should be eased if an appropriate treaty, harmonising formal requirements in as simple a way as possible, were to be adopted. An aim should be that the same application documents would be acceptable and would establish a valid filing date anywhere.

Whatever the fate of this treaty, however, it remains very important to pursue harmonisation of substantive patent principles as soon as possible.

Transatlantic Business Dialogue

- **Towards better trade relations**

This developed out of talks aimed at a North Atlantic Free Trade Area with the alternative outlet of another GATT Round. One objective is better trade relations with the US and another is to prepare a joint EU/US Action Plan. There are 15 subjects, the more important being standards, certification and regulatory policy; WTO implementation and expansion; trade liberalisation; information technology Agreement; government procurement; intellectual property; SMEs; investment and R&D; product liability; and competition policy.

For intellectual property, lists of requests to governments and the European Commission were prepared in Europe and the United States and combined into a Joint Report. Naturally the European list contained many demands on the US, such as first to file and the abandonment of Hilmer, while the US list concentrated on erosions to intellectual property and the cost of patenting. The joint report calls for a more systematic and coherent policy for IPR protection based on national treatment (non-discrimination) and MFN, and for the EU and US to develop such a policy to foster competitiveness.

For intellectual property generally, the joint report refers to full implementation of TRIPS and persuading developing countries not to take their full transition periods, signing up and implementing the Berne Protocol, New Instrument, TLT and the Madrid Protocol, getting rid of international exhaustion, the suppression of counterfeits and piracy, creating a proper environment for investment and market access in third countries and cooperating closely to ensure a high level of IPR protection. The EU and US should hold regular joint government-industry meetings on IP issues and develop a joint strategy on IP for the WTO Singapore Ministerial Conference.

For copyright and related rights the joint report calls for the full protection of new forms of uses and exploitation

of copyrighted materials over global information and digital networks and for the EU and US to develop compatible solutions for the exploitation of works in the information society; adapting private copying and fair use to the information society; giving exclusive rights in respect of all forms of communication to the public; dealing with piracy on global networks and ensuring that encryption systems are not broken; maintaining a high level of copyright and related technical protection despite moves to remove barriers to electronic commerce; the encouragement of voluntary market driven licensing systems for the new forms and uses of copyrighted materials, while refraining from establishing or extending compulsory licensing or mandatory collective licensing systems in the new electronic environment; and ensuring that regional and other plurilateral systems require immediate TRIPS level protection and provide strong IPRs for emerging technologies (GII) to ensure that rightholders have the exclusive right to control the uses of their works.

For patents and other industrial property there must be a high level of IP protection, a substantial reduction of costs and a non-discriminatory regime conducive to full market access. TRIPS must be fully implemented and extended where there are gaps (patentability of plants and animals and reinforcement of trade secret protection). The grounds for compulsory licences must be restricted, product registration data must be fully protected for at least 10 years, patent rights must be respected under the Rio Convention; the EU and US should negotiate regarding first to file and improved patents systems, items for which include the grace period, abandoning Hilmer, 18 month publication and reducing patenting costs.

The extension of patent free commercial testing to Europe is opposed and it must not be applied to the extended term under supplementary protection (to be promoted). The existing US exemption should be abolished. There should be pipeline protection for inventions not yet marketed. Exhaustion of patent rights arising from acts of third parties must be prohibited. EEA exhaustion must not apply where goods were sold at controlled prices and there must be no extension of the exhaustion doctrine to goods sold in central and eastern European countries. Patenting costs must be reduced (fee reductions and reducing translation and national entry costs); consideration should be given to deferred examination; and the US should adhere fully to the PCT standard on unity of invention.

Enforcement must be simplified, improved, made less discriminatory and its cost reduced; the US government must change its government use practice in line with TRIPS.

For trade marks, not only must TLT and the Madrid Protocol be brought into force on both sides of the Atlantic, but various aspects on exhaustion must be addressed. The US must implement TRIPS for geographical indications of wines and spirits.

Design protection must be improved and the US must implement Art 25.2 regarding textile designs. Standard setting must respect intellectual property rights.

The above requests were generated from the 'grassroots'. In the EU, 163 companies and Trade Associations were asked to identify business hurdles caused by lack of or inappropriate intellectual property rights and some 25% replied. It is understood there was a similar survey in the United States.

Well-known Marks

- **WIPO initiative**

In July 1995 WIPO sent out invitations to a meeting of a new Committee of Experts which it proposed setting up, this time on the subject of Well-known Marks. Simultaneously it sent out for comment a preliminary study paper on the subject which addressed the questions of the definition of a well-known mark and how they could be better protected. The Federation was not invited to act as an observer to this meeting, but kept itself informed as to developments and was pleased at the outcome of the meeting which, broadly, was that the matter was important enough to warrant further study, that a flexible definition of 'well-known' as opposed to one that laid down standards that *must* be achieved would be preferable because it could be better adapted to suit individual cases, and that, if several quite fundamental objections to the idea could be overcome, it would be advantageous both to the owners of such marks and to developing countries if a 'list' or 'Register' of Well-known Marks could be established.

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